

Thesis Part-time Master Business Administration

# Social capital in relation to the business models of social enterprises

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## FOREWORD

I present to you my thesis “Social capital in relation to the business models of social enterprises”. This thesis was written to finish the Part-time Master Business Administration at the Rotterdam School of Management, Erasmus University. I have been working on this research from January to September 2019.

Conducting this research has been a long and intensive process of which I have learned a lot. During this period my coach, Dr. Jacomijn Klitsie, and co-reader, Dr. René Olie of the Department of Strategic Management and Entrepreneurship have helped me a lot by challenging my assumptions, guarding the scientific process and giving feedback on my work. I would like to take the opportunity to thank them for his, because I would not have been able to deliver the result that is in front of you today without it.

I would also like to thank the various social entrepreneurs that took their time to talk to me for the collection of my data. The fact that they took time from their busy schedules to have me interview them for this topic gave me additional motivation to finish this thesis and deliver practical relevance for the social enterprises in the Netherlands.

Finally, I would also like to thank my fellow students of the Part-Time Master Business Administration 2017 -2019 with whom I have experienced and intense but very satisfying two years of studying. Sharing hardship during long days of studying and celebrating success after each semester (with the international trip to Shanghai at its peak) made these two years a much more rewarding experience than it would have been otherwise.

I hope you enjoy reading this thesis.

Dennis Reijman

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## ABSTRACT

Social enterprises are companies that pursue both social impact and financial profit and are gaining momentum in the Netherlands. Due to the potentially conflicting objectives of social enterprises, it can be challenging to develop a successful business model. The presupposition of this research is that social enterprises work together with different stakeholders in an effort to overcome the challenges they encounter when trying to develop successful business models.

The goal of this research is to find out how social capital relates to the business models of social enterprises. To answer this research question, a comparative qualitative research was conducted among social entrepreneurs in the Netherlands. The social entrepreneurs were randomly selected from the Social Enterprise NL database and data was collected using semi-structured interviews. Findings from these data showed that a 'Network of Peers' and 'Entrepreneurial Safeguards' have a positive effect on 'Entrepreneurship'. On the other hand, the 'Inability to Engage Key Stakeholders' has a negative effect on 'Intensive Stakeholder Interaction'.

Based on these findings social entrepreneurs are recommended to focus on creating shared goals and trust between the social enterprises and key stakeholders. Also, additional research should be undertaken to qualitatively test these propositions on a larger sample of social entrepreneurs.

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# 1. INTRODUCTION TO RESEARCH SUBJECT

## SOCIAL ENTERPRISE

Many initiatives, private and public, have started widespread discussions on sustainability and in 2015 the UN formulated the Sustainable Development Goals<sup>1</sup> in order to focus international attention on this important topic.

In the private sector, more and more businesses adopt sustainable policies. However, with a rising popularity, ambiguity surrounding the term 'sustainability' increases. In 1984, the United Nations Brundtland Commission<sup>2</sup> defined it as "meeting the needs of the present without compromising the ability of future generations to meet their own needs". In my opinion, this definition captures the full extent of the term sustainability. However, sustainability is currently at risk of becoming a marketing term for companies used to frame their activities as being sustainable in order to keep legitimacy as a business. In addition, sustainability might be seen as a non-profitable activity that is in a constant competition with profitable non-sustainable endeavors. In order to create a more sustainable society, developments in this field have to be sustainable in itself. Meaning that sustainability shouldn't be a trade-off for profitability but a type of synergy between the two should be strived for. Although this is easier said than done, there are companies that try to unite these seemingly opposing objectives and they are called social enterprises.

Social enterprises are companies that pursue both social impact and financial profit and are gaining momentum in the Netherlands. Recent studies estimate the number of social enterprises in the Netherlands between 4000 and 6000 in 2017 (ABN AMRO Social Impact Fund, 2017) (McKinsey & Company, 2016). Research from the ABN AMRO Social Impact Fund (2017) on the Dutch social enterprise sector suggest that social enterprises are more resilient than for-profit companies since 20% of the social enterprises ceased operations within their first 5 years compared to an average 40% to 60% of for-profit start-ups. 80% of the social enterprises that have existed longer than 5 years realizes less than €1.5 million of revenues annually. In addition, the population of social enterprises in the Netherlands is a heterogeneous group that consist of several 'impact areas' (relating to different social goals such as: social cohesion, fair-trade or durable mobility).

A clear definition of what constitutes a social enterprise or social entrepreneurship is missing throughout academic literature. Several review studies define social enterprises as entrepreneurial activities with a social goal (Ven, Sapienza, & Villanueva, 2007) (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Verloop & Hillen (2014) define a social enterprise as an organization that is located on a continuum between 'impact only' organizations that are often times not financially sustainable without gifts and subsidies (i.e. charities) and 'financial only' organizations which are financially sustainable through their own activities and to whom financial profit is their main objective, often times combined with a (strong) corporate social responsibility.

Instead, social enterprises focus on social impact first, like charities, but also strive to be financially independents of gifts and subsidies, like for-profit organizations. These types of organizations, that are taking on the challenge of combing these objectives, have recently also been described as *hybrid*

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<sup>1</sup> <https://sustainabledevelopment.un.org>

<sup>2</sup> <https://academicimpact.un.org/content/sustainability>

*organizations* (Haigh, Walker, Bacq, & Kickul, 2015). For this research I will focus on the type of social (hybrid) organization which simultaneously strive for social impact and financial sustainability and are unable to integrate their social and economic activities causing them to create value for different stakeholders simultaneously.

Due to the potentially conflicting objectives of social enterprises, it can be challenging to develop a successful business model (Yunus, Moingeon, & Lehmann-Ortega, 2010). The presupposition of this research is that social enterprises work together with different stakeholders in an effort to overcome the challenges they encounter when trying to develop successful business models. This collaboration with stakeholders can be defined as the company's social capital (Inkpen & Tsang, 2005). For this reason, this research will look at the social capital of these organizations to see if and how it relates to the development of the business models that are needed to succeed under these circumstances.

This research will therefore aim to answer to question: *How does social capital relate to the business models of social enterprises?*

In order to adequately answer the main research question, I will answer the following sub-questions:

- How do social enterprises develop successful business models within competing social & market logics?
- How do social enterprises exploit their social capital in the development of their business models?

## **CONTRIBUTIONS AND RELEVANCE**

In this research I am interested in the role of social capital as antecedents of the business models for social enterprises. Research shows that social enterprises need to create social and financial value, often for multiple stakeholders. In order to develop a sustainable business model, social enterprises have to develop a value proposition for all their stakeholders, find a way to create and deliver this value, and ultimately capture this value from these stakeholders to pursue their objective, to realize maximum social impact. Finding innovative ways to design the business models among competing (social and market) logics play a vital role in this development.

Although some research has been done on how the network of a social enterprise can lead to an innovative and sustainable business model, often times this results in single case studies (Rossignoli & Lionzo, 2018) (Olofsson, Hoveskog, & Halila, 2018). For this research I would therefore like to use a comparative qualitative study on the role of social capital as a possible determinant of the business models of social enterprises in various different sectors in The Netherlands. Through this approach the findings of this research are broader applicable to the heterogeneous population of social enterprises in The Netherlands.

A review on the existing body of research shows that few papers have been published in mainstream management of entrepreneurial journals, for the majority are more conceptually rather than empirically oriented and much of the research seems to lack an established theoretical foundation (Short, Moss, & Lumpkin, 2009). This type of research is necessary to establish why and how social enterprises differ from other types of entrepreneurial endeavors. This lack of a theoretically founded,

empirical study on social enterprises is an opportunity for this research to make a contribution to the academic field on social enterprises.

This research focusses on the sustainable business models of social enterprises and a theoretically founded and empirically tested study on its antecedents. Defining what constitutes a sustainable business model can help to define the type of challenges social enterprises face. Furthermore, I want to investigate which factors will allow social enterprises to develop these kinds of sustainable business models using the theory of social capital. Finally, I want to conduct qualitative empirical research among social entrepreneurs in various impact areas in The Netherlands. I believe this research will benefit both academic research and the entrepreneurs of the social enterprises.

This research will have an academic relevance since little research has currently been done in finding the antecedents of social business models (Dentchev, et al., 2018). This research gives insight how the exploitation of social capital has an effect on the business models of social enterprises. This will also be relevant for social entrepreneurs that are currently looking for ways to innovate their business model in an attempt to expand their business and in turn increase their impact.

## 2. LITERATURE REVIEW

This chapter is used to review existing literature on the concepts of social enterprises, business models and social capital. Through this exercise an overview is given of the existing knowledge on these topics and an attempt is made to formulate an answer to the main research question exposing lacunas in the existing literature, making a case for the relevance of this research.

### SOCIAL ENTERPRISES AS HYBRID ORGANIZATIONS

As mentioned in the introduction, social enterprises have various definitions throughout the academic literature, but overall are often described as companies that pursue both social impact and financial profit. Not having a clear definition on what a social enterprise is, makes consistent academic research on this topic difficult. However, in academic literature a consistent definition is given for *hybrid organizations* as “[organizations] pursuing primarily a social mission but relying significantly on commercial revenue to sustain operations” (Hockerts, 2015). This definition fits the description of social enterprises and serves as its academic equivalent.

Apart from research specifically on social enterprises, research on hybrid organizations shows that these organizations face challenges that result from competing institutional logics (such as social logics and market logics) and that social enterprises seem to form a new logic, by coupling elements of each institutional logic, into a legitimate and acceptable business model (Pache & Santos, 2013).

This means that social enterprises find ways to organize their business that are substantially different from other, well-known, businesses like for-profit or charitable organizations. Previous research (Battilana & Lee, 2014) defines the tension between these conflicting institutional logics as *hybrid organizing* and identifies 5 dimensions of its challenges: (1) organizational activities, (2) workforce composition, (3) organizational design, (4) inter-organizational relationships and (5) culture.

Organizational activities deal with the question whether or not the social and commercial activities within an organization are integrated (e.g. microfinancing<sup>3</sup>) or separated (e.g. WISEs<sup>4</sup>). An integrated activity is thus regarded to be the type of activity a social enterprise can undertake that realizes both

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<sup>3</sup> Microfinancing refers to companies that provide access to financial services through small loans to ‘bottom of the pyramid’ clients in the developing world. Larger financial institutions typically do not serve these types of clients. Microfinancing firms, however, are able to develop a business model through close personal interaction coupled with economies of scale to make this type of activity profitable. By successfully deploying this type of business they are able to create social and economic value through the same, integrated, activity.

<sup>4</sup> WISEs are Work Integration Social Enterprises and focus on improving the employment perspectives for people with a distance to the employment market. These companies hire the unemployed for a pre-determined period of time. During this time these people produce goods and services with which the WISE generates revenue, but the WISE also invests resources in the development of these people in order to help them successfully re-enter the employment market. In this instance, the social impact generating and economic profit generating activities are not integrated and could force these types of organizations to make trade-offs.

Battilana and Lee (2014, p. 414)

social and commercial value simultaneously. With regards to this research, concerning the business models of social enterprises, the challenge of the organizational activities is most interesting for further analysis since a business model is developed around the (set) of activities that creates and delivers value to customer who are in turn willing to pay for these values and convert those payments into profit (Teece, 2010).

When social enterprises do not have integrated activities, trade-offs often have to be made to either the social or commercial goals and the threat of mission drift increases. Mission drift is a potential threat for hybrid organizations when they, by choosing to pursue commercially interesting activities over socially beneficial (but commercially less interesting) activities, slowly but surely 'drift' away from their initial purpose. In the case of a social enterprise this initial purpose would be the social cause they aim to contribute to with their business.

## **CHALLENGES OF SUSTAINABLE BUSINESS MODELS**

Looking at the current academic research on social enterprises, much focus seems to be on the business model of the social enterprise, the sustainable business model. To further understand this concept, I will give an overview on the current level on research on business models, the academic discussions on this topic, the definition of a sustainable business model within this academic field and finally the challenges that social enterprises face when pursuing a sustainable business model.

Magretta (2002) states that the term business models has been misused in the past in absence of a firm's strategy, special competence or even customers and that 'fuzziness' associated with the term needs to be cleared up before managers can successfully apply the concept to their businesses. She makes a distinction between business models, which describes "how the pieces of the business fit together" and strategy, whose job it is to take into account the firm's competition. A similar conclusion is made by Casadesus-Masanell (2010) who makes a distinction between a firm's business model, strategy and tactics and states that a business model refers to the logic of value creation for a company's stakeholders, whereas strategy refers to the choice of business model through which the company will compete in the marketplace and finally tactics as the residual choices left open by the business model it chose.

Since business models, when defined properly, do seem to play an important role by serving the purpose of identifying the way by which companies attempt to create and deliver value, this will be a defining concept to grasp in order to understand the challenges for social enterprises, who by their nature are creating value for different stakeholders simultaneously.

A study by Zott et al. (2011) found, among a review of 103 publications on business models, 4 common themes: (1) the business model is a new unit of analysis; (2) business models are a holistic approach to explaining how firms "do business"; (3) firm activities play an important role in the various conceptualizations of business models; and (4) business models seek to explain how value is created, not just how it is captured. However, there is no consensus in the academic community on what a business model is.

Further research shows that there is not one type of business model. There are actually many different 'types' and they serve different purposes such as role models (i.e. the "Netflix" business

model) as examples to be admired, or recipes (i.e. French biotech companies) which are easy to copy from one company to another (Baden-Fuller & Morgan, 2010).

An often-cited definition of a business model is defined by Teece (2010) as “the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit”. Furthermore, a study by Richardson (2008) compared many different papers on the subject of business models and formulated a more comprehensive definition of the Business Model Framework with three main components: the value proposition, the value creation and delivery system, and value capture.

In addition, Schaltegger et al. (2016) refined this definition for social enterprises as: “A business model for sustainability helps describing, analysing, managing, and communicating (1) a company’s sustainable value proposition to its customers, and all other stakeholders, (2) how it creates and delivers this value, (3) and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries”.

The Business Model Framework (see appendix) seems to be applicable to the definition of both the corporate and sustainable businesses. However, I will argue that social enterprises have additional challenges in realizing a sustainable business model than ‘for-profit’ companies. In addition to using the more traditional viewpoint as is described in the Business Model Framework social enterprises find themselves in a paradox of trying to create and capture both social and financial value simultaneously. The rationale of the Business Model Framework, combined with the challenges of a social enterprise, is conceptualized by Yunus et al. (2010) in their social business model (see appendix).

Both the Corporate Business Model and the Social Business Model recognize the value proposition and supply chain activities (value creation and delivery in BMF and value constellation in SBM) as components of the business model. However, the Social Business Model does more justice to the duality of the value capturing that social enterprises aim for when value capturing is not merely sales revenues and cost structure but also (and possibly more importantly) social and environmental profits.

### **Value proposition**

In contrast to organizations that fully focus on social or financial value, social enterprises by definition combine social and financial objectives in their business model. This forces them to develop a value proposition that fits both objectives and may very well be targeted at different stakeholders simultaneously. This poses a challenge for these companies since they will need to balance an optimal product and service performance on the one hand and improved social & environmental effects on the other hand in order to deliver a sustainable value proposition (Boons & Lüdeke-Freund, 2013).

This specific challenge in the development of their value proposition was described by Emerson in his 2008 paper as the *blended value proposition* and it was defined as the pursuit of a value proposition composed of social and financial interest (Emerson, 2003).

### **Value constellation**

In addition to the value proposition, hybrid organizations also face challenges in developing the value constellation. The value constellation describes the organizations’ internal and external value chain to

create and deliver value to stakeholders. Inherent to their social goals, hybrid organizations usually target a niche market at first (Meijs & Ritter, 2015). Due to their social objectives, hybrid organizations have a more limited selection of resources they can choose from, or higher costs to exploit these resources than traditional “for-profit” enterprises. This is especially true for the type of social enterprise that is unable to integrate its social and economic activities, as described earlier.

Where for-profit organizations aim to find complementary resources for optimal value creation, hybrid organizations sometimes deliberately combine non-complementary resources in order to create the social impact they strive for. These resources are called *antagonistic assets* (Hockerts, 2015). Examples of antagonistic assets can be found when social enterprises employ workers with disabilities (WISEs, see p.5).

### **Social and economic profit equation**

When comparing the sustainable business model with a more ‘traditional’ business model, the most noticeable difference is found in the area of profit equation (or ‘value capture’). Social enterprises encounter challenges in realizing both a positive social and economic profit equation for different stakeholders simultaneously. This challenge has been recognized by Battilana et al. (2012, p. 53) as the challenge between *customers* and *beneficiaries*.

Traditional for-profit enterprises will aim the value capture at their customers. Customers pay for their products and services which allows these enterprises to realize a positive financial profit. Charities on the other hand, typically do not have customers. Instead, when focusing on the capture of social profit, these types of enterprises have beneficiaries. The beneficiaries are the receiving party of their social value, but typically do not (or cannot) pay for these products or services, thus resulting in a positive social profit, but also a negative financial profit (loss).

Social enterprises aim to combine the concepts of customers and beneficiaries within one business model. This especially becomes a challenge for social enterprises that are unable to integrate social and economic activities.

In conclusion to the topic of business models for social enterprises, especially for the organizations that are unable to integrate social and economic activities, I can conclude that they encounter specific challenges in the formulation of a blended value proposition, the design of the value constellation by incorporating antagonistic assets in the business model and in managing the balance between customers and beneficiaries with regards to the profit equation. I therefore argue that these organizations need to explore innovative ways to design their business model than traditional ‘for-profit’ companies in order to combine their dual objectives into a sustainable business model.

### **SOCIAL CAPITAL**

The relationships between social enterprises and its stakeholders can be seen as a network. It is possible that managing the relationships between the different stakeholders can help overcome the challenges these social enterprises face when it comes to their sustainable business model. This concept is recognized by Evens et al. (2017) as the *sustainable value network* and is described as “[a value network] is necessary to make specific propositions that create value for all participants in the network” (Den Ouden, 2011). The sustainable value network indicates that designing and executing the sustainable business model takes place within this network.

## Relevant stakeholders

When studying the stakeholders that a social enterprise interacts with, it is important to define the *relevant* stakeholders in the value creating process. Earlier research on stakeholder management defined the relevant stakeholders with regards to its potential in unlocking additional value creation opportunities (Harrison, Bosse, & Phillips, 2010). These stakeholders can be: (1) owners, (2) customers, (3) organizational members, (4) suppliers and (5) others. This research will view the relationships with stakeholders in regard to their possible value adding properties of the sustainable business model, I will therefore use these definitions as a guideline when interviewing social enterprises about their stakeholder management.

With that in mind I would like to study how this sustainable value network allows social enterprises are able to overcome their challenges with regard to their business models. In order to do that I will study the types of relationships and the social value these relationships yield at an individual level (the social enterprise) within this network setting.

## Social capital

Focusing attention on the nature of the relationships between a firm and its stakeholders, instead of merely investigating the dyadic relationships that form this network is important to find out how a firm is influenced (Rowley, 1997). Previous studies show that the relationships between the nodes of a network can be seen as a firm's *social capital* (Tsai & Ghoshal, 1998). Social capital is defined as the function that facilitates the actions of actors within a given network structure and it allows these actors to achieve certain goals that otherwise would have been unattainable (Coleman, 1988). Since social capital is a way to assess the relationships of the nodes in a network, which apparently is an important conceptualization of the environment in which a social enterprise operates, and explains why some actors are able to achieve what others (who lack social capital) aren't capable of achieving, it is an interesting topic for further research in relation to the challenges of the sustainable business model.

A study on emerging entrepreneurs found that social capital is a strong and consistent predictor of their success (Davidsson & Honig, 2003). Also, a central network position leads to increased innovation and performance (Tsai, 2001). The limitations of these studies, however, is that it focusses on intra-organizational network and isn't aimed at social enterprises that create aim to create social and financial value simultaneously.

Nonetheless, social capital seems to have positive effects on the extent to which a business is able to innovate and in turn increase its performance. I'm therefore interested to find out whether social capital has a similar positive effect on the ability to develop the business models needed by social enterprises to overcome their challenges in this regard.

Social capital can be interpreted through three dimensions of the links within the network: structural, cognitive and relational (Nahapiet & Ghoshal, 1998):

- The *structural dimension* is the basis of a firm's social capital since it's encompasses the actual connections between different parties within a network. It is described as the configuration of the network ties between different actors in a network and aims to identify whether these ties are present or absent (Nahapiet & Ghoshal, 1998). Besides the mere connections

between actors, the structural dimension of social capital has also been described as the actor's social structure, since interactions between these actors can provide certain advantages (Tsai & Ghoshal, 1998).

- The *cognitive dimension* says more about the meaning and understanding between the actors in a network (Nahapiet & Ghoshal, 1998). In a network setting this dimension can be defined as the extent to which (1) the actors in the network share goals, they work towards a common goals or achievement, and (2) the actors share a similar culture, which can be defined as “the norms that govern appropriate behaviour in the network” (Inkpen & Tsang, 2005).
- The *relational dimension* describes the role of trust and trustworthiness in the network. Trust, as a concept that refers to the relationship *between* the actors, can help achieve results that otherwise would not have been possible (Tsai & Ghoshal, 1998). Trustworthiness is an attribute of the individual actors as perceived by the other actors in the network.

## CONCLUSION OF LITERATURE REVIEW

Social enterprises can be seen as what has extensively been described as a hybrid organization with dual objectives. These objectives specifically focus on achieving social impact and at the same time running a financially viable business. Previous research has shown that these types of organizations operate through conflicting institutional logics and try to find a way to couple these logics into a new hybrid form of organizing that is not primarily a social nor a market logic. Especially companies that are unable to integrate their social and economic activities usually face trade-offs between the two logics with an increasing risk of mission drift.

A further analysis on the activities of these social enterprises is provided by looking at it from a business model perspective. The business model (defined through the aspects of value proposition, value constellation and profit equation) gives insights into how these companies organize their activities. The sustainable business model for social enterprises has specific challenges regarding these conflicting institutional logics for each of the aspects of the ‘traditional’ business model. In order to overcome these challenges, I argue that social enterprises need find innovative ways of designing and executing their business models in order to be socially and economically successful.

I conclude my literature study by arguing that social enterprises operate in a network, the sustainable value network, and that the social and economic value is created within this network of different stakeholders. To find out how social enterprises are able to overcome the specific challenges in order to develop sustainable business models, I aim to further investigate the nature of the relationships within this network by looking at the concept of social capital. Social capital described the relationships in a network on an individual basis (the social enterprise) and the benefits these relationships yield.

### 3. DATA COLLECTION

#### Research design

This research focusses on theory building by attempting to formulate proposition about the relationship between social capital and the extent to which these companies are able to realize their business models to deal with the challenges faced specifically by social enterprises. Since the object is to form a grounded theory concerning the relationship of concept relating to social capital and business models, the most logical approach is a qualitative methodology. Instead of a single case study, as is often done in research on sustainable business models, I am conducting a comparative study on multiple social enterprises in different impact areas (or sectors).

#### Case selection criteria

Appropriate cases for this research are social enterprises, companies that pursue a social goal and at the same time aim for financial independence (operate within competing institutional logics) as defined in the literature study. As the literature review suggests, these companies will most likely experience challenges regarding certain elements of their business model due to the nature of their business. This research will focus on how social capital enables them to overcome these challenges by developing successful business models.

Therefore, the main criterium is that the research subjects are in fact 'social enterprises'. Since there isn't a formal way of recognizing these companies (these companies do not have a specific legal status in the chamber of commerce) data is gathered from a sample of social enterprises from the Social Enterprise NL<sup>5</sup> database. This online platform actively encourages social enterprises to register in order to get into contact with peers. Social Enterprise NL uses an online self-test for aspiring members to assess eligibility for joining the platform by the following criteria<sup>6</sup>:

- The social enterprise primarily pursues a social goal
- The social enterprise realizes social impact, through their business model, independently
- Over 50% of revenues are realized through commercial activities to more than one customer
- The social enterprise pursues social impact first, dividend pay-out is limited, and profits are re-invested in the company or donated
- The social enterprise provides insights into the source of production resources, financial policies, impact measurement or reporting and ownership
- The social enterprise is registered in the Dutch chamber of commerce for a minimum of one year
- The social enterprise is prepared to share knowledge with other social entrepreneurs

Since these criteria focus on social impact as the main objective, but also require a form of financial independence, the companies joining this platform can be regarded as social enterprises as defined earlier in the literature review. To ensure a uniform way of selecting social enterprises I will derive my sample exclusively from the 350 social enterprises in the Social Enterprise NL database.

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<sup>5</sup> <https://www.social-enterprise.nl/onze-leden>

<sup>6</sup> <https://www.social-enterprise.nl/advies-voor-ondernemers/lid-worden/zelftest>

Since there isn't one archetypal social business model, I aim to compare companies in different industries to see if there are similarities in the way social capital plays a role in coping with their challenges that could lead to a proposition that is applicable to the general population of social enterprises.

The unit of analysis will be the company level, so each company will give me one dataset.

### **Data collection**

Data is collected through the use of semi-structured interviews with the social entrepreneur or manager. A semi-structured interview allows for a general structure of interview questions, enabling the collection of data along pre-determined areas that were found during the literature review in this subject. However, this set-up also leaves room to ask additional questions regarding specific topics that emerge during the interview and allow for new concepts and insights to be investigated that haven't previously been identified in the literature review.

The interviews are structured along 7 main questions along the main concepts described in the literature study: business models and social capital. Every interview starts with a short introduction to the research subject, explaining the challenges found in the literature review concerning social business models as follows:

*“Researching social enterprises is an interesting topic from an academic perspective since these companies typically have competing logics (social and market logics) to cope with. These competing logics can lead to specific challenges. In this research I would like to investigate how social enterprises design and implement their business model. A previous literature study has shown that social enterprises might encounter challenges with regards to (1) a blended value proposition, (2) antagonistic assets and (3) maintaining a balance between customers and beneficiaries.”*

The concept of social capital is not mentioned in the introduction to avoid bias with the respondents towards certain desired answers. Following the general introduction to the subject, the interviews are structured through the following general questions:

- Can you describe the current business model of your organization?
- Do you recognize the previously described challenges in your business model and if so, can you explain how these challenges affect your business?
- Have you had any specific challenges in your business model in the past that you have been able to overcome? If so, how did you manage this?
- To what extent did interaction with certain stakeholder enable you to overcome these challenges?
- How did this interaction materialize (i.e. how did you get into contact with these stakeholders, whose initiative, how did you experience the interaction)?
- Do you currently have unsolved challenges for your current business model? If so, why?
- Do you think the challenges can be met by involving new stakeholders to your business?

## 4. FINDINGS

### Approach to data analysis

Analysis on the data collected through these interviews is conducted by following the methodology for grounded theory development, the 'Gioia-methodology' (Gioia, Corley, & Hamilton, 2012). The analysis of the empirical data begins by coding the transcript of these interviews<sup>7</sup>. This initial coding focusses on identifying 1<sup>st</sup> order categories by using descriptions close to the original terminology used by the interviewees.

After identifying these 1<sup>st</sup> order categories a systemic approach is used in an effort to develop more comprehensive 2<sup>nd</sup> order themes from these initial results. These 2<sup>nd</sup> order themes will be used to develop a more theoretical approach to the phenomenon that is investigated to formulate an "overarching theoretical dimension".

Analysis of the data will follow the structure of the two research sub-questions:

- How do social enterprises develop business models within competing social and market logics?
- What role does social capital play in overcoming difficulties in developing a business model for these social enterprises?

By analysing the data along these sub-questions, it is possible to subsequently formulate an answer to the main research question: *How does social capital relate to the business models of social enterprises?*

### Case description

The data has been gathered through a total of six interviews, each with a different social enterprise. In order to give a better context of the following analysis of the data I will give a brief summary of the cases in the sample. Due to possible sensitive information disclosed in the interviews, in consultation with the interviewees, I will refer to the companies as company A through F.

#### Company A

This company develops online education programs specifically designed for adults. The online programs are distributed through licenses to both 'home users' and organizations such as public libraries. The home users get their license for free, whereas the organizations pay for the use of the licenses. The social mission of this company is to help the home users by providing training and developing new skills. This goal is funded by revenues through the sale of licenses to public libraries.

#### Company B

Company B is a consulting firm focusing on accelerating the circular economy. The firm tries to reinvent the traditional consultancy business by actively trying to measure their social impact for every project and incorporate this in their revenue model. The five values of the company are (1)

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<sup>7</sup> For reference purposes, one of the interview transcripts can be found in the appendix. The remaining transcripts are available upon request.

authenticity, (2) involvement, (3) quality, (4) creativity and (5) trust. By being selective in the type of project they take on they are able to pursue their social mission of contributing to a circular economy.

#### Company C

Company C has various sites in the Netherlands where they gather household waste. Instead of just collecting the waste, the company sells the sorted waste to other manufacturers that use this again as a raw material. People are paid for bringing their waste. By paying for the waste they are able to have a much higher quality of recycled material than traditional waste gathering companies and in turn are better able to sell this to manufacturing companies as raw material. The activities are funded by the government budget for waste collection and by the margin between buying and selling the waste.

#### Company D

The company runs an elderly day-care as well as a hotel. Their primary social goal is to provide good healthcare for the elderly at lower costs than a traditional day-care. Since these activities take place during the day and occupies only the main living room of the building, the hotel provides complementary activities to make their business profitable, since the hotel is mostly busy in the evening and weekend (with staff being idle throughout the day). The activities are funded partially by their hotel activities and partially by the government healthcare budget (WMO).

#### Company E

An employment agency for the long-term unemployed. By providing specific training and coaching to the employees and a no cure, no pay model towards their clients they are able to place people with various large companies in the Netherlands. They realize social impact by providing paying jobs to the long-term unemployed and stimulate inclusiveness for the companies they work with.

#### Company F

The last company is a software testing company that primarily employs autists as their workforce. These employees are highly skilled for this work but require specific personal coaching. The company provides an adequate working condition and training and in turn is able to deliver a competitive service. The activities are primarily funded by commercial assignments.

## **HOW DO SOCIAL ENTERPRISES DEVELOP SUCCESSFUL BUSINESS MODELS WITHIN COMPETING SOCIAL & MARKET LOGICS?**

### **First order concepts and second order themes**

To formulate an answer to this question, the interview transcripts have been coded for concept relating to the way social enterprises develop their business models. By following the Gioia methodology, the first step in this process is to list the first order concepts based on the topics covered in the interviews with the 'knowledgeable agents' (i.e. the social entrepreneurs).

By making the interpretation follow the original quotes accurately an effort is made to describe the informants' experience rather than trying to explain it yet. This method aligns with the 'informant-centric' perspective that is needed as this stage according to Gioia et al (2012, p. 26).

Following the initial coding of the first-order concepts, an approach of axial coding was used to group some of the first order concepts into more general themes. Many of the first order concepts follow the original formulation of the interviewees and therefore have only 1 quote supporting each statement (some concepts have more quotes when more than one interviewee used almost identical phrasing on a certain topic).

This process allows for a more theoretically oriented categorization of the interview results. The results of the analysis of the interview data to first order concepts and the axial coding into second order themes are listed below:

<b>1st order concepts</b>	<b>2nd order themes</b>
Owner does not want subsidies to be part of the business model	<b>Deliberately no subsidies as part of the business model</b>
Content with not having subsidies, want to be free from external government involvement	
Does not have subsidies, only commercial assignment from public and private sector	
Employees primarily want to help people, not make money	<b>Entrepreneurs are favoured over social idealists</b>
Being socially engaged does not necessarily lead to successful entrepreneurship.	
Commercial background of owner ensures that the company focusses on both social impact and commercial success	
The business acts as employment agency for disadvantaged employees through intensive accompaniment	<b>Non-integrated activities</b>
The business combines healthcare with hotel activities	
The business has paying customers as well as free users	
The business employs autistic employees and delivers a profitable service to customers	
Only wants organic growth since growth of business is not a goal in itself	<b>Organic growth is preferred</b>
Current profit margin is insufficient for additional investments	<b>Profitability is prerequisite for successful business model</b>
Survival of the business depends on profitability of the business model	
Business model should enable the business to cover costs and make enough profit to grow and scale-up social impact	
The inefficiency of our employees leads to lowered profit margins	<b>Social mission leads to inefficiency in business model</b>
Additional employee training and job coaching has to be paid through profit margin	

Our owner explains to customers that social mission has priority over commercially interesting opportunity	<b>Stakeholder dialogue to mitigate mission drift</b>
Reject commercial opportunities that possible harm the social mission	
We resist temptation to deviate from our social mission by explaining challenges to our customers	
We decline commercial opportunities to stay true to stay true to social mission	

1. Deliberately no subsidies as part of the business model

An important aspect of the business model of all of the interviewees is that the social entrepreneurs seem to deliberately exclude government subsidies to be a part of their business models. Even though some entrepreneurs admit they might be eligible for some subsidies they would rather operate their business independently of these types of revenues.

2. Entrepreneurship is favoured over social idealists

All of the respondents note that an important factor in determining whether or not a social enterprise can develop a successful business model is to what extent the owner is an 'entrepreneur' instead of an idealist. Many entrepreneurs describe the lack of 'entrepreneurial qualities' a main reason for failing business models of social enterprises although it has to be noted that none of the interviewees would place themselves in the 'idealist' category and merely reflected on other social entrepreneurs.

3. Non-integrated activities

A substantial part of this sample of social enterprises were an example of what is described in the literature review as non-integrated activities. This means that these companies perform different types of activities, not every activity leads to an equal increase of social impact and revenues.

4. Organic growth is preferred

Evidence from the data collected indicates that growth of the business in itself isn't a goal for the social enterprises. Social entrepreneurs do think that a successful business should lead to growth and allow them to scale their business and rather aim for organic growth instead.

5. Profitability is a prerequisite for successful business model

Profitability is an important factor for social entrepreneurs to assess the success of the business model. Even though, from a theoretical perspective, the debate on profits for social enterprises is expected to be about the trade-offs between social and economic profit, the latter is most discussed in the interviews by the social entrepreneurs.

6. Social mission leads to inefficiencies in business model

As expected in the previous literature study, the social mission of the enterprise results in additional challenges in the business models of social enterprises. When these additional costs are financed

through a ‘traditional’ business model (they do not find additional ways of generating revenue through their social mission) these challenges become inefficiencies.

#### 7. Stakeholder dialogue to mitigate mission drift

Many of the social entrepreneurs indicate that they make deliberate choices on what commercial opportunities to follow-up on. The main concern is that some of these opportunities might compromise the social mission, which has priority over commercial success. To overcome the temptation, many enterprises choose to engage in dialogue with their clients to defend their standpoint (from a social perspective) whenever these situations occur. Through this method they are able to mitigate the risk of mission drift.

#### **Second order themes and aggregate dimensions**

The previous themes lead to the following aggregate dimensions which will be used in the construction of a new theoretical model concerning the way social enterprises shape their business model in order to function successfully in an environment with competing institutional logics:

<b>2nd order themes</b>	<b>Aggregate dimension</b>
Deliberately no subsidies as part of the business model	<b>Entrepreneurship</b>
Entrepreneurs are favoured over social idealists	
Profitability is prerequisite for successful business model	<b>Profit &amp; organic growth</b>
Organic growth is preferred	
Non-integrated activities	<b>Intensive stakeholder interaction</b>
Social mission leads to inefficiency in business model	
Stakeholder dialogue to mitigate mission drift	

#### Entrepreneurship

The first overarching dimension is described as ‘entrepreneurship’ and seems to play an important role for the social enterprises in coping with the competing social and market logics. Often times in the interviews, the social enterprises hypothesized that the reason many businesses fail is that the owner of the company is not really an entrepreneur but rather an idealist.

Key quote supporting this statement, 6:4: *“Looking at social enterprises you see that a lot of people started a company from a social conviction, but that doesn’t mean you are a good entrepreneur. In fact, it often means the opposite of that.”*

In addition to this, many of the social enterprises state that they deliberately exclude subsidies as a substantial part of their business’ financing underlines the need for entrepreneurship. The social enterprises are keen in having a self-sustaining business model that does not necessarily need subsidies in order to survive which again advocates entrepreneurship as a coping mechanism for these competing logics since it forces the social enterprises to find innovative ways to make their business profitable to support and extend their social mission.

Key quote, 1:19: *“In fact, we are happy not to have any subsidies anymore. We don’t want to be an extension of the government and want to be able to be recalcitrant sometimes”*

### Profit & organic growth

The social entrepreneurs measure the success of their business model primarily in the (financial) profitability of the business model. In line with their previously explained point of view that entrepreneurship is favoured over social idealism, financial profit is deemed a prerequisite for a sustainable business model. Not any of the social entrepreneurs indicate that profit has priority over their social impact, but they do seem to realize that without profit their business will not exist in the long run.

Key quote, 6:1: *“The underlying business models need to be good. The minimal requirement is to have sufficient profits to cover your costs and also have some margin to grow and scale-up, also for your social mission.”*

Supporting this statement is another theme that can be discovered in the data stating that growth in itself is not a key goal for the social enterprises that were interviewed. However, organic growth (not initiated by acquisition but a result of an increasing customer base) is perceived as a positive development and is welcomed as a result of their business model.

Key quote, 7:19: *“We have been profitable for 5 years now, but we want to create more reserves for ourselves. Growth is not a goal in itself for us, but it can be more than it currently is.”*

In line with favouring entrepreneurship, the social enterprises focus, rather surprisingly, primarily on realizing enough profit and organic growth of the business in order to maintain their business and in turn expand their social mission. This is therefore another important aspect of how they cope within these competing social and market logics.

### Intensive stakeholder interaction

The third aspect of how social enterprises cope with competing institutional logics through the development of their business model is the way they deal with inefficiencies in their business model. Many of the interviewed enterprises deal with what is referred to in academic literature as *non-integrated activities*. To achieve both social and financial profits, they have separated activities.

Furthermore, the social entrepreneurs recognize that they face additional challenges in their business model due to specific inefficiencies because of the social mission they are dedicated to. These types of inefficiencies seem to be corresponding to the *antagonistic assets* that were described earlier in the literature review.

Key quote, 7:18: *“an important reason our margins are lower than other companies is that we have a higher share of inefficient hours. This will not change. We cannot make our people work 10% more efficiently because autism cannot be cured.”*

Due to the nature of their business model and focus on their social goals, the social enterprises seem to be bound by certain parameters (the antagonistic assets) and continuously have to manage the balance between socially- and financially profitable activities (non-integrated activities). When

questioning the way social enterprises deal with these challenges, they answer is that they choose to engage in a close interaction with the people they do business with. They rather do business with partners that understand what they do and why they are doing it and engage in what has been referred to as ‘stakeholder dialogue’ in order to mitigate the risk of mission drift.

Key quote, 5:1: *“I can tell you we earn more form hosting meetings than we do with the day-care. However, since we put day-care first, I rather explain to my meeting-customers that I cannot host 40 people during the week and that I have a spot for them in the weekend instead when we don’t have the day-care”*

## HOW DO SOCIAL ENTERPRISES EXPLOIT THEIR SOCIAL CAPITAL IN THE DEVELOPMENT OF THEIR BUSINESS MODEL?

### First order concepts and second order themes

To assess how social enterprises, exploit their social capital in relation to the development of their business model the interviews transcripts were coded for topics relating interaction with external stakeholders. Since social capital itself is a theoretical concept that relates to the interactions with different stakeholders it seemed most relevant for the answering of this question to focus on this topic when coding the transcripts.

By using the similar methodology as previously described it was possible to form first order concepts from the interview data and furthermore to deduce these first order concept into second order themes as follows:

1st order concepts	2nd order themes
Every municipality has its own rules which makes working with all of them difficult	<b>Local governments do not have uniform policies</b>
The municipality of Amsterdam differs from the municipality in The Hague, but you want to do business with both	
Different local governments can have contradicting policies	
Political changes may lead to shift of interests making it difficult to make 10-year plans with government	<b>Government is unable to commit to long-term plans</b>
Working together with government is difficult when policies can change radically every 4 years	
Government is too precarious to do business with	
Local government is an important partner, difficult to connect with each of them	<b>(Local) government is inevitable partner for social enterprises</b>
Social mission leads to interaction with public sector	
Difficult to adjust to working with the public sector when you come from a private sector background	<b>Social entrepreneurs and public sector processes are not compatible</b>
Difficult doing business with government, doesn't even begin because of lengthy tender process	

Board has helpful network	<b>Large network benefit business</b>
Being part of network enables business to acquire new clients easily	
Being part of network enables business to speed up initial financing for the business	
Owner has extensive existing network that enables him to make people enthusiastic for getting involved with the business	
Business is part of larger network of social enterprises	<b>Businesses help each other through network of social enterprises</b>
Social entrepreneurs find each other to learn how to run a successful social enterprise	
Growing number of social enterprises leads to larger and more mature network of similar entrepreneurs	
Being part of social enterprise NL helps businesses in being financially sustainable	
Big enough to be interesting for stakeholders outside own network	<b>Size influences the business' ability to reach stakeholders outside network</b>
Business is too small to negotiate higher prices with clients to compensate for higher costs	
Difficult to work with large client as relatively small company	
Sales is easy because many clients like the social mission of the company	<b>Likeable business helps to reach parties outside network</b>
Guests like the hotel, but also enjoy being part of a socially engaged community	
External stakeholders are enthusiastic about the business	
Clients proactively reach out to the business, either through a commitment or because they like the business' initiative	
Business is recognized as sympathetic by external stakeholder	
Setting up advisory council with external stakeholders	<b>External stakeholders actively advice on commercial aspects of the business</b>
Not able to pitch idea to external stakeholders despite potentially interesting proposition	<b>Difficulty to connect with large risk-averse parties</b>
Small innovative business is incompatible with large risk-averse partners	

1. Local governments don't have uniform policies

Many of the local governments that social enterprises do business with do not have uniform policies. This creates different contexts for social enterprises with different partners in the same business.

*An example of this phenomenon can be seen for a company that acts as a garbage collection business. In one city it was government policy to separate their garbage into different categories, where other cities decided to separate the garbage centrally per household. This created a significantly different context for this company to operate in and adds to their challenges.*

Many of the social entrepreneurs indicate they find it surprising that policies can differ to this extent from municipality to municipality and address this as a challenge in developing a successful business model in all the places they operate in.

## 2. Government is unable to commit to long-term plans

When partnering with governments, social entrepreneurs indicate that changing political priorities, potentially every 4 year after elections, make it difficult for the governments to commit to long term plans. This in turn creates a constantly changing context for the social entrepreneurs who experience this as an additional challenge in their business model.

## 3. (Local) government is inevitable partner for social enterprises

Due to their social mission, local governments are an inevitable partner for many social enterprises and can fulfil the role of both supplier and customer. This is the case, for example, for social entrepreneurs who operate in the field of local healthcare, employing the unemployed or garbage collection.

## 4. Social entrepreneurs and public sector processes are incompatible

Social entrepreneurs have indicated on different occasions that they find it difficult to do business with the public sector, such as local governments. Arguments for this incompatibility, from the social entrepreneurs perspective, are found (1) in a different pace of decision making, (2) their relative small size compared to the other partners that local governments are involved with, (3) the risk-adversity of local governments compared to risk seeking entrepreneurs and (4) bureaucratic decision making of local governments compared to informal decision making of social enterprises.

## 5. Large network benefits business

On many occasions during the interviews have social entrepreneurs indicated that having a large network benefits the company. It enables them to get into contact with stakeholders outside the business, both for getting in touch with peers, new customers but also other entrepreneurs that can help them develop a more durable business model.

## 6. Businesses help each other through network of social enterprises

Social enterprises seem to be gathering in networks of other social enterprises in order to learn from each other and overcome challenges they might have in common. Many of the interviewees indicated that being a part of Social Enterprise NL helps them get in touch with like-minded entrepreneurs and actually helps them and other in developing a competitive business model (although it has to be noted that the sample for this research was derived from the database of Social Enterprise NL so no entrepreneurs were interviewed that had not been affiliated with this network). Also, some entrepreneurs said that they spend time every week talking to other (starting) entrepreneurs to share their experience in overcoming challenges they might encounter.

7. Size influences the business' ability to reach stakeholders outside network

The relatively small size of the social enterprises that were interviewed proved to have been a problem in the past in order to reach out to potentially interesting partners outside of their network. Although, from the social entrepreneurs' perspective, they offer a mutually beneficial proposition it is difficult for them to become a prioritized party for larger, previously unknown, parties. In addition, a relatively large social enterprise admitted that it easier for them to reach out to potential stakeholders outside of their network due to their larger size, which immediately makes them a more prioritized party for these potential stakeholders.

8. Likeable business helps to reach parties outside network

Social enterprises tend to be sympathetic businesses due to their social mission, according to the social entrepreneurs. This 'likeability' enables them to reach out to new partners outside of their own network. In some cases, this leads to new business (in terms of new customers) but more often it enables them to involve other (non-social) entrepreneurs to advise them on certain aspects of the business and in turn help develop more successful (social) business models.

9. External stakeholders actively advice on commercial aspects of the business

As mentioned above, some social enterprises have begun actively involving outside advisors (often times successful non-social entrepreneurs) into their business. Since the social entrepreneurs find it important that their business essentially operates as a legitimate business, opposing a purely idealistic endeavour that doesn't make money, they use these advisors to help them develop a sensible strategic agenda, help them assess budgets and also find new ways to attract new stakeholders to further develop the business.

10. Difficulty to connect with large risk-averse parties

Despite having mutually beneficial propositions, social enterprises experience difficulty in engaging in partnerships with larger partners. The social entrepreneurs indicate this is due to the risk-aversity of these larger established partners whereas the social entrepreneurs are less risk-averse. This risk-aversity might be related to the fact that many of the social entrepreneurs are relatively small and conduct their business differently from the rest of the industry, therefore being more disruptive at times.

**Second order themes and aggregate dimensions**

The previously described themes lead to the following aggregate dimensions which will be used in the construction of a new theoretical model concerning the way social capital is exploited to develop the business models of social enterprises:

Themes	Dimensions
Businesses help each other through network of SE's	Network of peers
Large network benefits business	
External stakeholders actively advice on commercial aspects of the business	Entrepreneurial safeguards

Local governments do not have uniform policies	<b>Government incompatibility</b>
Government is unable to commit to long-term plans	
(Local) government is inevitable partner for social enterprises	
Size influences the business' ability to reach stakeholders outside network	<b>Size of the social enterprise</b>
Likeable business helps to reach people outside network	<b>Likeable business</b>
Social entrepreneurs and public sector processes are not compatible	<b>Inability to engage key stakeholders</b>
Difficulty to connect with large risk-averse partners	

### Network of peers

The social entrepreneurs indicated that being part of a network benefits the social enterprise in different ways. Often times the owner had an existing network that would allow for the social enterprise to get into contact with parties within this network relatively easy. A particular type of network that was often referred to as being helpful was a network of peers. This network of peers consists of other social entrepreneurs. By interacting with other each other, social enterprises are able to discuss challenges and try to learn from the experiences of other social entrepreneurs who have dealt with similar challenges in the past.

*Key quote, 6:13 "With more social enterprises, the network also grows. Even though it still a relatively small group of companies the culture seems to be getting more mature making it possible to talk to other entrepreneurs at the same level."*

By engaging in these networks, social enterprises benefit from a collective experience among like-minded entrepreneurs which in turn can help them develop successful business models of their own.

### Entrepreneurial safeguards

An important way by which social enterprises works together with their stakeholders is by involving people from outside their business or even their network as advisors to the company. The advisors are often other (non-social/for-profit) entrepreneurs that are asked to help to social entrepreneur with various internal issues (strategy planning or budgeting) or help them reach out to new networks.

Sometimes these advises are informal and, in other cases, the social entrepreneur set up a formal advisory council. In both cases the external entrepreneurs ensured that the businesses were able to develop and maintain a sustainable business model. When the social entrepreneur is primarily focused on realizing its social mission, these advisors help to challenge them on an entrepreneurial level. For this reason, I consider this interaction with the social enterprises' stakeholders a form of an 'entrepreneurial safeguard'.

Key quote, 7:3 *“We aim deliberately in involving stakeholders with our business. We now have a Board of Advisory with 3 people that have an exceptional amount of experience we can benefit from”.*

### Government incompatibility

Working together with (local) governments is an inevitability for many of the social enterprises I spoken to during this research. This inevitability of working together is explained by the social entrepreneurs as a result of their social mission. Since these companies tend to focus on activities or resources that are not yet widely represented by for-profit companies (i.e. autistic employees, long-term unemployed personnel or elderly with healthcare needs) they often work closely with local governments. The government is sometimes the supplier, in case of employing the long-term unemployed for example, or it can be the customer, in case of healthcare or waste collection for example.

Key quote, 4:3: *“These challenges we face aren’t a result of our social mission, but rather from the fact we do business on the border of the public and private sector. By definition we do a lot of business with the government and local governments in particular.”*

One of the challenges expressed by the social entrepreneurs, following this inevitability of working closely with local governments, is the fact that they are generally speaking unable to commit to long term plans. In different occasions this was seen as a main concern that obstructed innovative co-operations. This inability of committing to long-term plans is being credited to the fact that the political agenda, and therefore government policy, can shift every 4 years (due to re-elections).

Key quote, 4:17: *“It’s difficult doing business with the government. You can imagine that it’s quite difficult when you start working together on a project and then after 4 years a city councillor comes along and tells you policy is being changed.”*

Another main challenge in doing business with local governments is the fact that different cities can have vastly different policies regarding certain topics. The social enterprises experience that each municipality has its own context for which they need to adapt their approach. This is especially the case for a business working with long-term unemployed which are being ‘supplied’ to the business by the local municipalities. Since every municipality has its own context, this company is unable to copy its successful approach in city A to city B.

Key quote, 5:13 *“Our revenues are partly coming from the municipalities, which makes it a very transparent source of income. However, this also proves to be difficult because every municipality has its own rules. This is especially difficult when you’re working together with different municipalities at the same time.”*

By considering that local government are often times an inevitable partner for many social enterprises, but at the same provide specific challenges due to their inability to commit to long-term plans and different policies between the various municipalities this government incompatibility is a specific aspect of the stakeholder interaction of social enterprises that is influenced by this.

### Size of the social enterprise

When trying to reach out to potentially interesting partners outside the network of the social entrepreneur. It turns out that a relatively small sized social enterprise experiences more difficulty than larger companies. During the interviews the social entrepreneurs said that being a small company has previously hindered them to reach out to potentially interesting partners.

*Key quote, 7:13: "We are still a relatively small company so competing with large organizations is difficult, especially with larger clients."*

*In addition, more evidence supporting this statement can be found for larger social enterprises that indicate that they are able to reach out to new potential partners outside their network because of their relatively large size.*

*Key quote, 6:10: "We have grown and with that we've become a serious partner for the now. When your average social entrepreneur comes along and proposes a co-operation, they will say no."*

Both these statements prove that the data shows that small size social enterprise face challenges in their ability to involve new potential partners outside their network.

### Inability to engage key stakeholders

The Inability to engage key stakeholders is apparent, on the one side, from the incompatibility that social enterprises experience when interaction with local governments, and on the other side, from not being able to engage in partnerships with larger risk-averse parties.

The incompatibility with local government is underlines by many social entrepreneurs and follows from the challenges they experience in doing business with governments. An example of this incompatibility is expressed by one social entrepreneur, of whom the government acts as its customer, by stating that they can only win an account through lengthy tender processes where the parameters used to assess their suitability are designed for their 'traditional' for-profit competitors. Since this process doesn't do justice to the way they do business, from the social enterprises' perspective, they feel an incompatibility with the way the government does business with social enterprises.

*Key quote, 7:11: "Especially the government is a difficult partner to do business with. We often have to go through lengthy tender processes. This is so much work that we don't even start it."*

Another factor influencing the inability to engage key stakeholders is the fact that social enterprises face difficulty in pitching to large potential partners and they blame their risk-aversity for it. In order to scale their business, social entrepreneurs want to partner with large companies often with a proposal that is, from the perspective of the social entrepreneur, mutually beneficial. However, in more than one occasion the social entrepreneur indicates that it is difficult to be taken seriously and make deals, even though the initial reception of the pitch was perceived good. When asking for the reason these deals don't go through, risk-aversity from large established companies in relation to the smaller, often times disruptive nature of the social enterprises' business, does not match. This risk-aversity from potential partners is a second factor that greatly influences the inability to engage these key stakeholders to the business.

Key quote, 4:6: *“But eventually they unfortunately do not make the deal. You just sense that with these types of powerful structures, these established systems, it’s very difficult to pitch a genuinely new idea. They are afraid to take a gamble and aren’t prepared to take the risk”*

### Likeable business

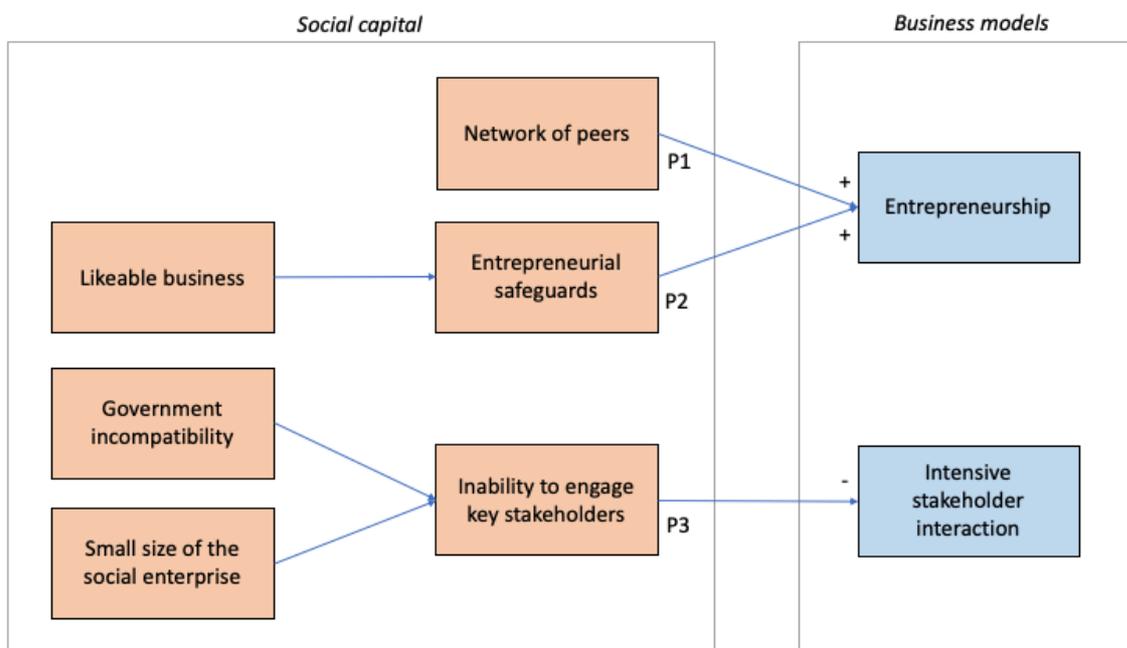
In interesting aspect that enables social enterprises to reach out to partners outside their own network is a ‘likeable’ business. Since these companies tend to have a sympathetic story to tell, due to their social mission, it helps them to connect with new stakeholders.

Key quote, 1:6: *“When we tell what we stand for everybody finds it fantastic. We rarely experience people aren’t excited about our business”.*

### Theoretical model

After identifying the overarching dimensions in relation to how social enterprises develop a successful business model and how their social capital is exploited, I will propose a theoretical model on how these concepts relate to each other through the data collected.

Below is a visual representation of the theoretical model with 3 proposed relations between the concepts of social capital and concept relating to the business models. The main research question revolves around explaining the relationship between the concepts of social capital and business models. Therefore, only the direct relationships between these concepts are formulated as a proposition.



Social enterprises form networks with other social enterprises. These networks enable them to learn from each other. It is mentioned by the social entrepreneurs that many social enterprises are not able to develop successful business models since they lack entrepreneurship and are focusing too much on the social goals (idealists). This network of peers helps entrepreneurs to overcome this challenge and therefore is proposed to have a positive effect on entrepreneurship:

*Proposition 1: Network of peers has a positive effect on entrepreneurship*

Having a likeable business helps social enterprises to attract people from outside of their own network and be involved with their company. It especially enables them to form advisory boards with other entrepreneurs which challenge them on their entrepreneurial skills and therefore lead to entrepreneurial safeguards.

Social enterprises exploit these advisory boards and other independent advisors to guarantee a level of entrepreneurship when designing the business model of the social enterprise. In contrast, no external advisory board or independent advisors were used by the social entrepreneurs to ensure and guarantee the social mission in their activities. The data suggest that these entrepreneurial safeguards have a positive effect on entrepreneurship and thus indicates the following proposition:

*Proposition 2: Entrepreneurial safeguards have a positive effect on entrepreneurship*

With (local) government being an inevitable partner for many social enterprises, it is essential that social enterprises are able to engage in a fruitful collaboration with local governments. However, many social entrepreneurs have indicated that, due to the inability of government to commit to long-term plans and differences policies for similar topics, social enterprises are often times incompatible with the government as a business partner.

Apart from engaging with local governments, social enterprises also try to engage with other potentially interesting partners outside of their own network in order to expand their business and improve their business model. Having a relatively small size company, compared to a larger and more established partner, makes it difficult for social enterprises to engage in successful co-operations with these potential partners, whereas larger social enterprises do find it easier to reach new partners outside their network.

Social enterprises engage in intensive interaction with their stakeholders in order to avoid the risk of mission drift. This risk occurs when the social enterprises have to choose between activities that support either their social mission or financial result. The success of the business model is therefore related to how well the company is able to engage with its stakeholders. A perceived incompatibility with stakeholders like (local) government and a relatively small size can lead to an inability to engage the key stakeholders of the social enterprise. The final proposition of this theoretical model is as follows:

*Proposition 3: Inability to engage key stakeholders has a negative effect on stakeholder interaction*

## 5. CONCLUSION

By looking at the findings and ultimately the proposed theoretical model an answer can be formulated on the main research: How does social capital relate to the business models of social enterprises?

### **Business models**

By analysing the data for concepts relating to how social enterprises develop successful business models within competing social and market logics, three distinct concepts are identified: (1) Entrepreneurship, (2) Intensive stakeholder interaction and (3) Profit & organic growth.

### **Social Capital**

By analysing the data for concepts relating to the exploitation of the social capital in the development of the business models of the social enterprises, six distinct concepts are identified: (1) likeable business, (2) Government incompatibility, (3) small size of social enterprise, (4) network of peers, (5) entrepreneurial safeguard and (6) Inability to engage key stakeholders.

Ultimately, the data suggests that there are 3 direct relationships between concepts of social capital and business models recognized through analysis of the data which answer the main research question:

*1. A Network of Peers has a positive effect on Entrepreneurship*

Social enterprises form networks with other social enterprises. These networks enable them to learn from each other. It is mentioned by the social entrepreneurs that many social enterprises are not able to develop successful business models since they lack entrepreneurship and are focusing too much on the social goals (idealists). This network of peers helps entrepreneurs to overcome this challenge and therefore is proposed to have a positive effect on entrepreneurship

*2. Entrepreneurial Safeguards have a positive effect on Entrepreneurship*

Social enterprises exploit these advisory boards and other independent advisors to guarantee a level of entrepreneurship when designing the business model of the social enterprise. In contrast, no external advisory board or independent advisors were used by the social entrepreneurs to ensure and guarantee the social mission in their activities.

*3. Inability to Engage Key Stakeholders has a negative effect on Intensive Stakeholder Interaction*

Social enterprises engage in intensive interaction with their stakeholders in order to avoid the risk of mission drift. This risk occurs when the social enterprises have to choose between activities that support either their social mission or financial result. The success of the business model is therefore related to how well the company is able to engage with its stakeholders. A perceived incompatibility with stakeholders like (local) government and a relatively small size can lead to an inability to engage the key stakeholders of the social enterprise which in turn has a negative effect on the social enterprises' ability to engage in intensive stakeholder interaction.

## 6. DISCUSSION

### Interpretation

It is an interesting result to see that there seems to be an inability to engage key stakeholders for many social enterprises which has a negative effect on stakeholder interaction, an important aspect of the way these companies develop their business models. On the contrary, the network of peers and entrepreneurial safeguard, seem to have a positive effect on entrepreneurship, another important aspect of their business models.

The disparity between these results might be explained by looking at existing social capital theory. This theory explains that there are three dimensions (structural, cognitive and relational) by which the 'nodes' in the network can be qualified (Nahapiet & Ghoshal, 1998). To summarize, these dimensions can be described as follows:

- The *structural dimension* encompasses the actual connections between different parties within a network.
- The *cognitive dimension* can be defined as the extent to which (1) the actors in the network share goals, they work towards a common goals or achievement, and (2) the actors share a similar culture.
- The *relational dimension* describes the role of trust and trustworthiness in the network.

I believe that for the positive effects in the proposed theoretical model, all three dimensions are present. Both for the network of peers (other social entrepreneurs) and the entrepreneurial safeguards (other entrepreneurs) we can conclude that there is a structural connection but also that these parties work towards a common goal (helping social enterprises become successful) and that these parties trust each other (collaboration usually takes place on an informal basis).

On the other hand, the inability to engage key stakeholders, which has a negative effect on the business models of social enterprises, does not share the same characteristics as the positive effects. In fact, I believe this negative effect can be explained through the absence of some of the same dimensions of social capital, in particular the cognitive and relational dimension.

Even though the social enterprise and these key stakeholders do get into contact with each other (structural dimension) there is no 'common language' or shared goal (cognitive dimension). You can see this in the data when the social entrepreneurs describe these parties are being risk-averse opposite of how the social entrepreneurs themselves see these perceived opportunities. In addition, I also believe that there's little trust between the (small) social entrepreneurs and these key stakeholders (absence of relational dimension) which is illustrated by the perceived incompatibility between these key stakeholders and the social enterprises.

This shows that the existing theory on social capital confirms the rationale behind the relationships proposed in the theoretical model.

An important, but rather unexpected finding, was that the social entrepreneurs seemed most concerned with entrepreneurial 'side' of their business model. Rather than trying to be finding a balance between social and commercial logics (as it has been described in the literature review) it

looked as if the entrepreneurs were comfortable with pursuing their social goal by trying to run their business as 'commercially sensible' as possible. This meant that their focus, concerning the business models, is mainly about generating enough profit to keep the business running and realizing (organic) growth.

By reviewing the literature beforehand, I would have expected many of the social enterprises to have a structural disadvantage to more traditional businesses in similar industries due to the antagonistic assets (Hockerts, 2015). Furthermore, I was expecting the social entrepreneurs to make a significant effort in their business models to try to convert their social value creation into financial gains. Analysis of the data do not show this happening. Instead, entrepreneurs seem to be aware of their inefficiency and are trying to cope with this by focusing more on the entrepreneurship (market logics) and explaining these inefficiencies to their clients, conceptualized by intensive stakeholder interaction.

### **Implications**

A practical implication of this research is that for many social enterprises the inability to engage key stakeholders, which has a negative effect on a successful development of their business model, can be explained through social capital theory and more specifically the lack of a cognitive and relational dimension in the social enterprises social capital relating these stakeholders. Even though I expect this problem might not be quickly overcome by (small) social enterprises, being aware of why it is difficult and focus on creating shared goals and trying to create a level of trust between these parties can help engage these key stakeholders in the future and in turn have a positive effect on the development of successful business models for social enterprises.

Secondly, an important academic implication of this results is that the effects can be explained by using the existing social capital theory. Additional research should be conducted on how to overcome the negative effect of the inability to engage key stakeholders. The conclusions of this research implicate that using social capital theory, and in particular the lack of a cognitive and relational dimension to the social enterprises' social capital, as a determinant for this effect. It is therefore important to conduct additional academic research on this topic to gain new insights.

### **Limitations**

Due to the lack of available data, the findings do not show a clear connection between the concepts of social capital and the aspect of 'profit and organic growth' (which was found as a leading concept in the development of business models for these social enterprises). It can therefore not be concluded through this research to what extent social capital relates to the ability to realize profit and organic growth.

The interviews with the various social enterprises have been conducted and fully transcribed in Dutch. The following thematic analysis has been done in English, since this research is published in English. The translation of the quotes used in the thematic analysis might have affected the reliability of the findings. To mitigate this risk the original quotes used as 'key quotes' in the analysis have been included in the appendix.

The sample used in this research relies on the responses of the different businesses that were approached through a random selection of the Social Enterprise NL database. Inevitably, the business ultimately decided themselves whether to participate in this research adding a bias towards relative

successful businesses who might be more willing to share their experiences than less successful businesses. Since the challenges these businesses face is a main topic of investigation, the sample might therefore have been biased on this aspect compared to the total population of Social Enterprises currently active in The Netherlands.

In addition to the previously described limitation, another possible limitation is the fact that this research is interested to find out how successful social enterprises cope with challenges typically encountered by these companies through the dual nature of their objectives and competing institutional logics. Although the data sample does provide evidence that this sample contains successful companies, this is but a qualitative interpretation to the answers of the respondents. A more comparative, quantitative analysis between social enterprises can determine how this perceived success can be actually measured and taken into account with regards to the conclusion of this research.

### **Recommendations**

Through this research a clear relationship between social capital and the concept of ‘profit & organic growth’ could not be identified. However, social entrepreneurs do consider this an important aspect of developing successful a successful business model. Future research should therefore be focusing on identifying the factors that do influence the company’s ability to realize profit & organic growth. This find this, additional grounded theory research on the antecedents of profits and organic growth for social enterprises should be undertaken. I expect a qualitative comparative case study to be most suited for this type of research since it would enable the future researcher to observe and interview the social enterprises who can act as knowledgeable agents on this subject.

In addition, future research can also be aimed at testing the conclusions that are proposed in the theoretical model. Since these propositions are a first attempt to find out how social capital relates to the business models of social enterprises, it is necessary to test the validity of these claims through rigorous quantitative research. Academic literature on the topic of the type of research in relation to social enterprises shows that quantitative research is limited (Rossignoli & Lionzo, 2018) (Olofsson, Hoveskog, & Halila, 2018) which makes this type of research a valuable addition to the body of research on social enterprises.

Finally, an interesting avenue for future research would be to further investigate how social enterprises can overcome their inability to engage key stakeholders. Since this research offers an explanation of the incompatibility by using social capital theory, it does not offer solutions to the problem at hand. Social enterprises can benefit of additional research being done on how to overcome these challenges, now that we know how the interaction with certain stakeholders affect the business models of social enterprises.

# 7. APPENDIX

Figure 1: Definition social enterprise (Verloop & Hillen, 2014)

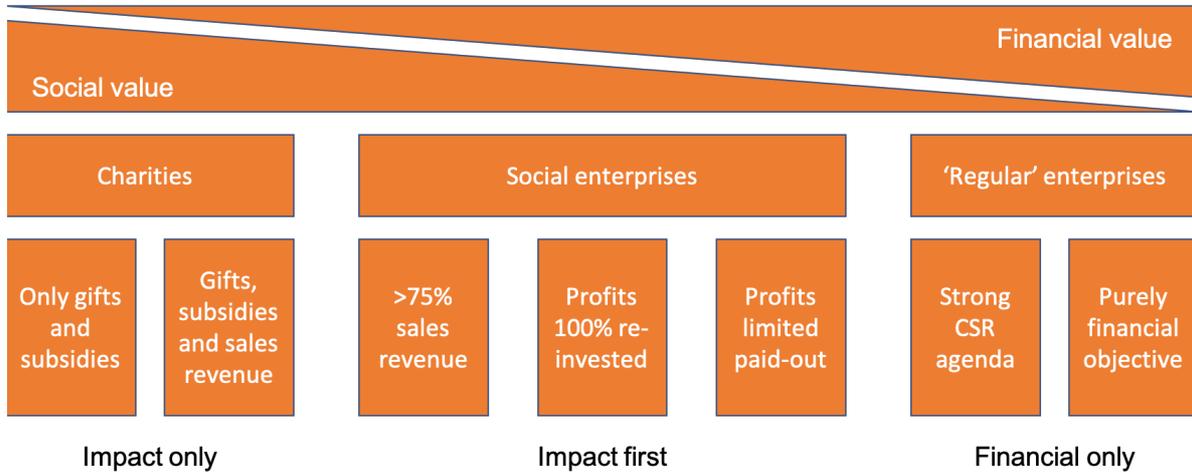
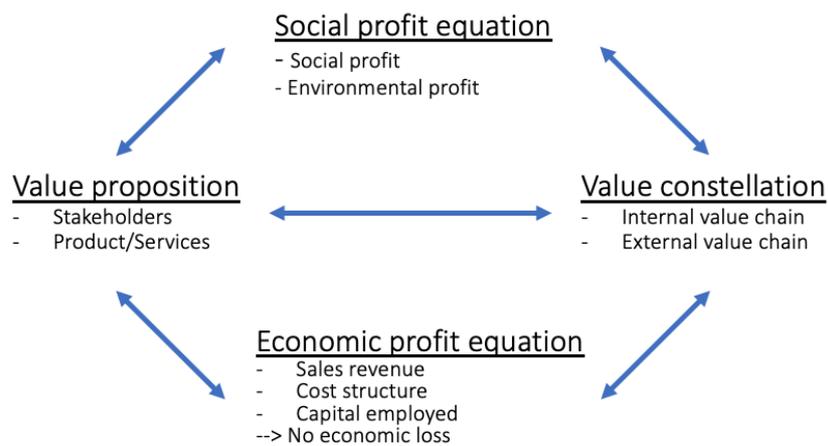


Figure 2: Business Model Framework (Bocken, Short, Rana, & Evans, 2014) (Osterwalder & Pigneur, 2010) (Richardson, 2008)



Figure 3: Social Business Model (Yunus, Moingeon, & Lehmann-Ortega, 2010)



## Supporting quotes

Since the original interviews were conducted in Dutch, the supporting quotes were translated to English to be used in the research. Below you can find the original quotes:

6:4 “Als je dat dan ziet bij sociale ondernemers dan zie je dat veel mensen vanuit een sociale overtuiging een bedrijf zijn begonnen maar dat betekent niet dat je een goede ondernemer bent. Sterker nog dat schuurt nog wel eens.”

1:19 “Sterker nog, we zijn ook blij om geen subsidie meer te hebben. We willen geen verlengstuk van de overheid zijn maar we willen soms wat recalcitrant kunnen zijn.”

6:1 “Onderliggend moeten de businessmodellen gewoon goed zijn. Ze moeten minimaal kostendekkend zijn en er moet voldoende marge gehaald worden om te groeien en te kunnen opschalen, ook in je sociale missie”

7:19 “We zijn nu al 5 jaar winstgevend, maar we willen nog wel wat meer ruimte creëren. We willen graag wat meer reserves kweken. Groei is voor ons geen doel op zich maar het mag nog wel iets meer zijn dan het nu is.”

7:16 “Ons bedrijfsmodel is dus mensen met autisme aan het werk helpen. Dat doen door een intensieve situationele begeleiding en aansturing en uiteindelijk willen we laten zien dat dit werkt en deze mensen bestaansrecht hebben op de arbeidsmarkt door zonder subsidie, en dit is belangrijk, winstgevend te kunnen zijn met onze dienstverlening.”

5:15 “Dat zijn we hier gaan doen met onze ouderenopvang tussen 10:00 en 16:00. Wij zijn vervolgens gaan bedenken welke activiteiten we daar omheen zouden kunnen organiseren dat we het pand zo efficiënt mogelijk zouden gebruiken. Dat was uiteindelijk de horeca. Want daar is het overdag relatief rustig (er loopt relatief veel personeel rond voor weinig omzet) en is de piek 's avonds en in het weekend.

7:18 “Belangrijke reden hiervoor is dat onze marges wat kleiner zijn dan reguliere bedrijven is dat wij een hoger aandeel inefficiënte uren hebben. Dit gaat in principe ook niet veranderen. We kunnen mensen niet 0% efficiënter laten werken omdat autisme niet over gaat.”

5:1 “Ik je verklappen dat we aan vergaderen meer verdienen dan aan dagopvang, maar omdat we vanaf dag 1 hebben gezegd “als ons businessmodel klopt dan gaat zorg altijd voor” kunnen we ook aan die bedrijven uitleggen dat 40 personen niet gaat lukken doordeweeks en dat dit alleen in het weekend kan want dan hebben we geen dagopvang.”

6:13 “Nu er meer sociale ondernemingen komen komt er ook een groter netwerk. Ondanks dat het nog klein is, wordt de cultuur volwassen en dan kan je dus op niveau met dergelijke ondernemers praten.”

7:3 “Wij sturen heel nadrukkelijk op het betrekken van stakeholders bij onze business. We hebben een Raad van Advies waar nu 3 mannen in zitten die buitengewoon veel ervaring hebben.”

4:3 “Deze uitdagingen die wij hebben komen niet voort uit onze sociale missie, maar wel uit feit dat wij zakendoen in het snijvlak van de publieke en private sector. Daarbij doen we dus per definitie veel zaken met de overheid en de gemeentes in het bijzonder.”

4:17 “Het is slecht zakendoen met de overheid, maar je kunt je voorstellen dat als je ergens aan begint met een samenwerking dat het heel lastig is als na 4 jaar een wethouder zegt dat het beleid wordt aangepast”

5:13 “Onze geldstromen kunnen dus enerzijds van de gemeentes, wat een hele transparante geldstroom is want alles is vastgelegd. Maar dit is soms ook lastig want iedere gemeente heeft zo zijn eigen regels en dat is lastig voor ons als je met meerdere gemeentes samenwerkt.”

7:13 “We zijn nog wel een relatief klein bedrijf dus opboksen tegen grote organisaties is lastig, zeker ook bij grote klanten.”

6:10 “10 jaar geleden niet, maar wij zijn groter geworden en daarmee een serieuzere partij geworden voor ze. Want als de gemiddelde sociaal ondernemer zegt dat hij met ex-gedetineerden fruitmandjes in elkaar wil klussen dan zeggen ze nee.”

7:11 “Nu is juist de overheid voor ons een lastige partner om zaken mee te doen. Dat moet vaak via aanbestedingen, dat is zo veel werk daar doen we niet eens aan mee.”

4:6 “Maar uiteindelijk pakken ze er dus niet op door helaas. Je merkt gewoon dat het bij dergelijke machtige structuren, wat een gevestigd systeem is, heel moeilijk is om daar een dergelijk nieuw idee te pitchen. Ze durven hun nek niet uit te steken en een risico te nemen.”

1:6 “Wanneer wij vertellen waar wij voor staan dan vindt eigenlijk iedereen het fantastisch. We maken het zelden mee dat mensen niet enthousiast zijn”

*(Intro in het onderwerp)*

Ik wil je allereerst verwijzen naar het rapport van ABN-AMRO zelf. In dat rapport zie je eigenlijk hoe onvolwassen de sector nog is. Er is maar een heel klein percentage dat überhaupt een relevante omzet heeft laat staan winst. Volgens mij heeft maar 2% relevante winst.

We zijn bezig met beleid en alles maar dan denk ik waar hebben we het over. Daar hoeft je toch geen beleid voor te maken die trek je toch gewoon voor. Zo van: "ik snap jou dan krijg je van mij een extra opdrachtje".

*Klopt, uit het onderzoek blijkt o.a. dat sociale startups minder snel failliet gaan de eerste 5 jaar (20% sociaal tegen 50% regulier), maar dat de reguliere startups die het wel redden financieel gemeten veel succesvoller zijn.*

Ja klopt, het blijft nu een beetje geneuzel in de marge soms.

**Kunt u voor mij op hoofdlijnen uw businessmodel schetsen?**

Nou uiteindelijk heb je marge nodig om groei te financieren. Als je kijkt naar die 'flatline' waar je het over hebt dan komt dat ten eerste door lef, we zijn allang blij dat het dan draait, maar ten tweede: je moet voldoende marge hebben om te kunnen opschalen.

Zoals in mijn geval zitten we nu op 80 tot 90 man. Dat kan alleen als je marge zo in orde zijn dat mensen bepaalde rollen kunnen overnemen. En als jij jezelf bot gezegd maar wat betaalt en daarmee het model draaiende kan houden dan heb je dus geen duurzaam model dat is gewoon een slecht model. Ieder normaal bedrijf dat winst nastreeft zou failliet gaan. Dan is het meer een stichting. Dat is ook prima, maar dat is een manier om geld te verbranden en je kan een circulair model maakt dat zichzelf in stand houdt.

Maar dat heeft ook te maken met het feit dat mensen in mijn optiek nooit twee dingen goed kunnen. Een kunstenaar is in mijn definitie een waardeloze boekhouder. Die zijn procesmatig niet goed. Daarentegen is een boekhouder in principe een waardeloze kunstenaar want die zijn niet creatief en dat is misschien maar goed ook. **Als je dat dan ziet bij sociale ondernemers dan zie je dat veel mensen vanuit een sociale overtuiging een bedrijf zijn begonnen maar dat betekent niet dat je een goede ondernemer bent. Sterker nog dat schuurt nog wel eens.** Kijk naar zorg organisaties, dat zijn niet echt bedrijven.

Ik geloof daarom dat je echt ondernemer moet zijn die sociaal geëngageerd is. Want anders kost alles geld en moeite en je krijgt er geen reet voor terug behalve een schouderklopje. Je moet het volgens mij doen omdat het een goed idee is en omdat je erin gelooft en omdat je het leuk vindt of omdat het een frustratie is, maar de basis is ondernemen. Wil je op de lange termijn het verschil maken dan moet het gewoon een sterk model zijn.

Een mooi voorbeeld vind ik de vegetarische slager of Dopper. Dat zijn twee, financieel ook, succesvolle sociale ondernemingen en dan heb je al de eerste criticaster die zegt: dat mag toch eigenlijk niet?! Dat vind ik onzin, ik hoop dat die vegetarische slager gruwelijk heeft gecashd. En hoeveel dat dan is dat wordt door de markt betaald. Dat bepaalt de markt gewoon. En iedereen kan nu gewoon een

vegetarische kroket kopen en je hoeft niet naar één of andere biologische supermarkt om die te halen maar die ligt gewoon Febo bij wijze van spreken. Dan heb je dus impact en is het schaalbaar. Het feit dat je er geld mee verdient is dan niet meer relevant. We vinden ook niet gek als elk ander bedrijf naar de beurs gaat dat iemand 100 miljoen voor z'n bedrijf krijgt, dat bepaalt de markt gewoon.

Onderliggend moeten de businessmodellen gewoon goed zijn. Ze moeten minimaal kostendekkend zijn en er moet voldoende marge gehaald worden om te kunnen groeien en te kunnen opschalen, ook in je sociale missie.

Uiteindelijk is ons businessmodel dat wij mensen met een afstand tot de arbeidsmarkt detacheren aan onze opdrachtgevers. Doordat wij onze medewerkers intensief begeleiden en er weinig tot geen risico voor de opdrachtgever is kunnen wij deze mensen plaatsen bij verschillende bedrijven en is het mogelijk om een gezonde marge te krijgen.

**Herkent u deze factoren en zijn er voor uw bedrijf specifieke uitdagingen in uw businessmodel die u mij zou kunnen toelichten?**

In ons geval is het detacheren wat wij doen uiteindelijk het middel geweest om ons model winstgevend te krijgen. We hebben veel modellen geprobeerd, maar je ziet dat om mensen met een afstand tot de arbeidsmarkt terug te krijgen naar de reguliere arbeidsmarkt dat het middel detacheren veruit het beste werkt.

Je haalt hierbij risico en angst weg. Je blijft verbonden aan de persoon, sterker nog als de persoon niet werkt dan krijgen wij niet betaald, dus we hebben hetzelfde belang als de opdrachtgever. Daarnaast investeren wij in onze medewerkers heeft ook een groter belang om zijn best te doen want wij investeren in hem. Hij kan ook ergens doosjes vouwen of in de kassen werken, maar in dit geval weet hij dat als hij het goed doet dan heb ik aan het einde dus wel een vast contract en dat heeft hij nu niet.

**Heeft u in het verleden uitdagingen gehad die op een gegeven moment overkomen zijn?**

Uiteindelijk zijn we begonnen met 1 project waarbij onze opdrachtgever vroeg of die jongen niet nog wat langer kon blijven want hij deed z'n werk goed en lag goed in de groep. Vervolgens zijn we dat gaan uitbreiden en was op een gegeven moment meer dan 50% van ons personeel gedetacheerd. Vanaf dat moment ben je dus juridisch gezien een uitzendbureau. Dat wisten wij van tevoren niet.

Dan kan je twee keuzes maken, of je laat alles onder één vlag vallen (ook je installatie tak) en dat is lastig qua verzekeringen en ook de kamer van koophandel vindt dat lastig want dan komen we in een andere CAO.

**Zo ja, hoe heeft u dit gedaan?**

Dus nu hebben we, gedwongen, 2 aparte entiteiten. Inmiddels zijn we gewoon een erkend uitzendbureau met alle certificaten die nodig zijn. Echter, waar we dus eerst rustig aan deden groeien we nu gewoon 100% per jaar met een gezonde marge. We kunnen er prima van leven en prima mee opschalen.

## **In hoeverre spelen uw 'stakeholders' een rol (of hebben zij een rol gespeeld) in het aanpakken van de uitdagingen waar u in uw businessmodel mee te maken kreeg?**

We zijn ooit begonnen met een lening van startfoundation. Gewoon een marktconforme lening met een marktconform rentetarief, maar onze opdrachtgevers die hebben gewoon betalingstermijnen van 60 dagen dus om te groeien heb je geld nodig.

En in het begin staan de geldschieters natuurlijk niet te springen om een sociale onderneming te financieren op basis van z'n blauwe ogen en een paar debiteuren, maar de startfoundation wel. Sterker nog, de startfoundation heeft het bedrag verdubbeld want ze geloven in ons als ondernemer en in onze aanpak. En na een jaar was het bedrag natuurlijk ook weer niet voldoende maar toen had ik een track-record en kon ik naar de bank gaan. Naar de Rabobank weliswaar. We zaten hiervoor wel bij de ABN-AMRO Bank, maar toen Gerrit Zalm weg ging, hij een groot ambassadeur van ons, viel ook dat ambassadeurschap weg en waren we weer 'gewoon' een klant en kon ik niet zo snel een debiteurenkrediet krijgen als we wilden. En Rabobank zat al een tijdje te azen en die hadden iets voor sociale ondernemers die ik heb onze voorwaarden gegeven en zij kunnen dan snel schakelen want ze zijn erg lokaal ingericht.

En vallen we gewoon binnen de reguliere categorieën en hebben we geen speciale contacten nodig om financieringen te kunnen krijgen.

## **Hoe is dit in zijn werk gegaan (hoe is het contact tot stand gekomen, wiens initiatief, begrepen jullie elkaar direct, was er onderling vertrouwen etc.)**

Zo'n partij als de start foundation is gewoon een loket waar iedere sociale ondernemer zich kan melden voor een dergelijke financiering maar **de snelheid is wel te danken aan het feit dat ik een goed contact heb met het bestuur, Annemarie van Gaal, Femke Halsema, Alex Mulder echt wel zwaargewichten die zijn hier op bezoek geweest en bepalen uiteindelijk het beleid van Jos en hebben gezegd wij geloven in deze onderneming en in deze ondernemer dus mocht hij met iets komen dan zouden we het waarderen als je dat wat extra vaart geeft.** En Jos heeft dat netjes aan mij teruggekoppeld dat er dus ruimte voor ons was nog geen 3 maanden later bestonden we en was binnen een maand de lening ook geregeld. En waar normaal gesproken alles veel langer had geduurd.

Uiteindelijk kan hij dat natuurlijk niet alleen beslissen, maar het feit dat ik een goede relatie met hem had zorgde er wel voor dat hij mij bijna kon toezeggen dat het ging lukken en dat was dus ook wel gewoon op hele korte termijn geregeld. En dat is belangrijk want anders moet ik 'nee' zeggen tegen opdrachtgevers in die fase. Hoe serieus kunnen ze je dan nemen als je niet eens 5 man kan detacheren.

En voor sociale ondernemingen met, over het algemeen waardeloze businessmodellen, is het natuurlijk ook lastig financieren. Dakdekkers hebben het ook moeilijk maar daar is het merendeel crimineel. Dan moet je niet raar staan te kijken als die bedrijven moeilijk te financieren zijn natuurlijk.

Je wil dus een partner heb die snapt wat je doet, maar die je ook beoordeelt om wie je bent. Als ik een ruk ondernemer ben dan snap ik het helemaal dat ze het niet gedaan zouden hebben. Uiteindelijk gaat het gewoon om geld. Het enige is dat normaal gesproken de rente altijd wordt kwijtgescholden en in mijn geval zeiden ze: het gewoon een normale onderneming dus daar word je eigenlijk een beetje voor gestraft, maar ik vind dat wel terecht. Het geld gaat daarmee weer gewoon naar de volgende en

het geld mag gewoon renderen en ik hoop zelfs dat ze bij de volgende ook weer zo streng zijn want dan wordt een 'revolving fund' en dan wordt het echt interessant. Dan help ik indirect de volgende weer. Sterker nog, ik zou het ook prima vinden als ze mijn mening zouden vragen om een andere ondernemer te beoordelen, omdat het zelf geen ondernemers zijn daar. Maar goed, het bestuur is zo zwaar, daar hebben ze misschien geen tijd voor.

En netwerken is heel interessant. Nu er meer sociale ondernemingen komen komt er ook een groter netwerk. Ondanks dat het nog klein is, wordt de cultuur volwassen en dan kan je dus op niveau met dergelijke ondernemers praten. Ik denk dat ik zeker 2 keer per week een verzoek krijg van een sociale ondernemer die met mij wil praten over hoe dat dan moet.

Er is blijkbaar iets in deze branche die maakt dat dat normaal is, want er is echt niemand die naar de van Haren gaat en zegt: leg mij eens uit hoe je goed schoenen kunt verkopen. Maar het is blijkbaar normaal nu dat er een paar grotere bedrijven komen die boven de 2-3 miljoen omzet uitkomen en dus tegen vraagstukken aanlopen die grote bedrijven niet hebben zoals moeten we nu impact first zetten. Ik denk dat impact moet altijd 'first' is alleen moet je op een gegeven moment afvragen of dit nog wel in het huidige model kan, want je kosten worden hoger.

*En hoe is het contact met jullie opdrachtgevers tot stand gekomen om ze te overtuigen om met jullie (en jullie medewerkers) zaken te gaan doen?*

De opdrachtgevers komen eigenlijk allemaal naar ons toe. Het is iets van deze tijd, inclusiviteit. Soms is er een contractuele verplichting ergens of het kan zijn dat ze vanuit landelijk beleid gestimuleerd worden om mensen met een afstand tot de arbeidsmarkt aan te nemen, of het kan zijn omdat ze het gewoon leuk vinden, maar ze erkennen dan wel dat ze er hulp bij nodig hebben.

Ze vinden ons via het netwerk waar die bedrijven onderling in zitten en door publiciteit. Je begint bijvoorbeeld een keer met Strukton en je eindigt met de BAM, Heijmans e.d. En mensen gaan over van bijvoorbeeld BAM naar Heijmans en neemt jou vervolgens weer mee. En zo heb groei je mee met de bedrijven die je bedient.

De bedrijven komen uiteindelijk bij ons terecht vanwege het lage instapmodel (geen risico). We zijn in dat opzicht een gewoon bedrijf, we moeten een goede website hebben en we moeten niet te hoog te factureren anders krijgen we de opdracht niet.

De manier van zaken doen gaat dan ook net als met ieder ander bedrijf. Sommige bedrijven beginnen heel klein en informeel terwijl andere opdrachtgevers dit via raamovereenkomsten moeten doen en dan zijn we wat langer met elkaar in gesprek voordat het rond is. Dus dat ligt meer aan de grootte van de opdrachtgever.

### **Zijn er nu nog specifieke uitdagingen die voor uw gevoel nog niet opgelost zijn?**

Het is nog steeds lastig om schaalbaar op het terrein van alle (publieke) randvoorwaarden van het begeleiden van mensen met een afstand tot de arbeidsmarkt. Is er een vergoeding voor job coaching, hoe hoog is die vergoeding, hoe wordt het beoordeeld? Dat zijn zaken die we nu aan het onderzoeken want we willen het liefst alle kandidaten zo goed mogelijk begeleiden.

### Zo ja, wat is hier volgens u de reden voor?

Al deze activiteiten zijn nu nog extern belegt, zoals job coaching, en daarvan willen we kijken of we dat niet zelf kunnen. Moet dat één van onze kernactiviteiten zijn? Daar zijn we nu naar aan het kijken.

### Zou dit in uw optiek op te lossen zijn in samenwerking met (nieuwe) stakeholders?

Jazeker, ik ben heel erg afhankelijk van de publieke partijen. De gemeente Amsterdam is heel andere ingericht dan de gemeente Den Haag. Dat ga ik niet veranderen. Maar ik wil van beide partijen kandidaten hebben.

Ik denk niet zozeer dat het lastig is om met die partijen in contact te komen, maar het is gewoon anders georganiseerd. Kijk, de organisatie van alle bijstandsgerechtigden in Den Haag is ontstaan in een periode van 30 – 40 jaar en dat geldt ook zo in Rotterdam dus dat kan je niet met elkaar vergelijken. Het zal best een beetje naar elkaar toegroeien, maar het heeft andere problemen een andere insteek en een andere aanpak en die gaan dat echt niet even uniform maken. Maar het zou prettig zijn als we het 'model' van Den Haag een beetje zouden kunnen kopiëren naar Rotterdam en daar willen ze tot op zekere hoogte naar kijken. Dus we hebben nu een afspraak met de gemeente Utrecht die we succesvol kunnen pitchen bij ander gemeente die dan bijvoorbeeld geneigd zijn om een bepaald traject te ontwikkelen en dan kan je steeds meer opschalen.

*Zijn jullie dan voor een gemeente een heel andere partij dan elk ander uitzendbureau?*

Absoluut, ik zit sowieso 2 keer per jaar met de directeur van de sociale dienst. Dat is de hoogste baas daar en die gaat over 28.000 uitkeringen. Dat doet ze niet met Randstad of met Tempo-Team. Daar heeft ze geen behoefte aan omdat wij specifiek haar doelgroep doen. Net zoals een directeur van EY niet gaat zitten met ons, maar wel met Yacht want ook dat is hun doelgroep.

*Is jullie verdienmodel anders dan een regulier uitzendbureau?*

Nee, wij moeten alleen wel uit de marge ook de opleiding en de job coaching financieren. We hebben sporadisch dat we nog wel eens ergens een advies geven of presentaties of iets dergelijks maar in principe hebben we geen andere bronnen voor onze omzet dan de detachering van het personeel.

Je zou denken dat bijvoorbeeld een vergoeding krijgen voor mensen uit een bijstandsuitkering halen een heel duurzaam model is, omdat je een langdurige relatie aangaat met de gemeente, maar in de praktijk blijkt dit niet zo te zijn.

De politieke wind veranderd en dan komen er dus steeds andere belangen en je kunt op dit vlak dus geen 10-jarige afspraken maken met een partij als de gemeente. Wat je wel hebt zijn subsidies voor personeel met een lagere loonwaarde maar dit wordt verdisconteerd in de uur prijs. Dus iemand uit de bijstand is voor mijn opdrachtgever financieel gezien interessanter dan iemand met een WW-uitkering. En dus ook voor ons want we rekenen niet alles 1-op-1 door want wij moeten dus vaak ook meer moeite doen.

Wat je uiteindelijk nog wel ziet is dat de mensen met de meeste subsidie eigenlijk nog steeds te duur zijn. Ik ben dus op zoek naar manieren om dat verder op te lossen door bijvoorbeeld te kijken naar die job coaching. Door dat zelf te doen voor een lagere prijs worden de marges beter en dus interessanter.

Maar uiteindelijk doen we iets nieuws en dan zie je dat partijen als de gemeente daar nog niet helemaal open voor staan. Een gemeente is per definitie risico avers en wij zijn dat niet. Dan praten we dus een beetje langs elkaar heen en moet je dus niet raar opkijken als ze dat risico dus niet durven nemen.

*Zijn er nog andere partijen waar kansen liggen mits je daar betere contacten mee zou hebben?*

Ja zo veel, denk aan het Leger des Heils of ex-gedetineerden of mensen uit de verslavingszorg. Maar het zijn organisaties die ten behoeve van de cliënt zijn ingericht en niet om ze naar werk te helpen. Dus als ik vraag aan de penitentiaire inrichting om een overzicht van hun mensen wanneer ze vrijkomen en waar ze goed in zijn dan hebben ze dat niet. Die mensen hebben als taak om die plek veilig te houden en zijn niet om competentie testen te doen en dat soort zaken. Dat zijn nieuwe uitdagingen, want daar staan ze misschien wel voor open. Net zoals bijvoorbeeld statushouders.

Uiteindelijk zou ik dergelijke partijen wel bereid om hierover in gesprek te gaan ondanks het feit dat ze er nu nog niet op ingericht zijn. 10 jaar geleden niet, maar wij zijn groter geworden en daarmee een serieuzere partij geworden voor ze. Want als de gemiddelde sociaal ondernemer zegt dat hij met ex-gedetineerden fruitmandjes in elkaar wil klussen dan zeggen ze nee. Maar nu door middel van het netwerk heb je al veel mensen uit de PI en DI gesproken dus dan zijn we interessanter.

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