Stakeholder relations and development at social entrepreneurial ventures

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Relations des parties prenantes et développement des organisations d’entrepreneuriat social


Résumé : Cette recherche a pour but de répondre aux questions, comment les organisations d’entrepreneuriat social s’évoluent, comment ils y utilisent leurs réseaux de parties prenantes (qu’ils apportent à eux, comment ces acteurs y participent) et on entreprend également d’identifier des facteurs de succès à partir d’une étude empirique sur un échantillon petit. La première partie de la recherche résume la littérature relevante des terrains de la recherche ES et entrepreneuriat traditionnel. La deuxième partie présente l’étude empirique de quatre organismes allemands et trouve qu’ils se remettent sur leurs réseaux implantés dans la société locale, dans lesquels les volontaires (soit professionnels soit enthousiastes) ont un rôle fondamental. La recherche trouve également que ces organisations ont une culture particulièrement cooperative, ouverte à la participation des consommateurs.

Mots-clés : entrepreneuriat social, Allemagne, parties prenantes, réseaux

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Abstract : The research paper seeks to answer the questions, how social entrepreneurial start-ups develop, how they make use of their stakeholder relationships (what do they gain, how do stakeholders participate) and sets out to identify a few success factors in a small sample inquiry. It starts with an overview of the related literature from the field of SE and traditional entrepreneurship research, then follows with an empirical study on four German SE ventures. It finds that all of them rely heavily on a socially embedded network, where voluntary helpers (both enthusiasts and experts) play a key role. It also finds evidence of a cooperative culture within this group and they are all very open to customer participation.

Key words : social entrepreneurship, Germany, stakeholders, networks, involvement

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Introduction

Social entrepreneurship is an expression that we hear ever more often, in the context of business, social or communal activities, making its way even to top universities and getting slowly in people’s mind. As global social and environmental problems gain more and more visibility for decision makers and the general public, finding solutions is becoming a priority topic for both political and economic players. As a response to this challenge, or we could say as part of this evolution, new models of social participation and corporate responsibility have appeared, along with other expressions like social business, social venture, corporate philanthropy, while grass-root initiatives or other social innovators are gaining visibility. Although we have the feeling that these people, social innovators, leaders of world-changing projects or just that social inclusion workshop around the corner, have been around for ever, social entrepreneurship seems to be a new expression with quite some confusion around its meaning.

Being right on the boundary of business and civil society, commercial and charity, voluntary and professional, social entrepreneurship has its roots in both sectors and blends both traditions. Although numerous books and scientific articles have been written about social entrepreneurship (SE) in the last decade, there is no clear definition of the term and authors tend to interchange this expression with several other ones (e.g. with social venture or social enterprise), making its content even more blurry. Besides academics, the field and research of SE is also influenced by umbrella organizations, worldwide networks or foundations that support entrepreneurs financially or by know-how, like Ashoka, the Skoll Foundation or even public bodies and publicly financed projects around Europe. These organizations usually have the mission of scaling up or making SE initiatives more visible, thus their selection process, events or partnerships contribute to the image we have about SE.

Despite the attention given to CSR and to stakeholder relationships on the managerial field, organizations that put social goals on the first place, get barely presented on the pages of Harvard Business Review or any academic journal. Although, as Perrini (2006) remarks, the “number of actors interested in the practical exploitation of SE is growing rapidly”¹, as

¹ Perrini (2006), page 11
public and private actors recognize not only these financially independent initiatives’ potential to solve problems, but also to empower people or communities and eventually to contribute to the development of distant regions. A similar idea is formulated by Steyaert and Hjorth (2006), when concluding that the arrival of SE and the huge amounts foundations provide to spread this idea, even in business schools, did surprise entrepreneurship scholars who never really wrote about it, nor did SE books appear in the review sections of academic journals.

In this study we are going to look at the field from a rather specific perspective: we are interested in the question, how SE ventures function and what kind of distinguishing features they have with respect to non-SE, that is to traditional business or to the NGO sector. The organization and functioning of these initiatives is of particular interest because of the dual nature and blended traditions of SE. Unlike many entities or projects in the NGO sector, SE organizations, especially those that pursue commercial activities, have a stronger push to efficiency and success, something that is also rewarded by several of the above mentioned foundations. It is thus interesting to see how they achieve social impact through profitable activities.

Within this broad area we are going to focus on a few more specific questions, so far with little scientific coverage: how SE ventures are using stakeholder relationships and networks to develop and scale up their commercial and social activities? What are those key factors and learnings that help them succeed? Although both managing stakeholder relationships and learning processes within or around a company are common topics in the field of strategy or human resources, the major part of the literature focuses on large organizations. Besides being small, most SE ventures have no investors, nor business angels, hence they have much less disposable funds. As a result, they apply alternative ways of sourcing knowledge or material equipment, just as small NGOs do.

Following a literature overview on the relevant points in academic research, the second part of this paper presents four cases of SE organizations (or structures that are very close to this concept) in Germany, all of them active on the drink market, but showing differences with respect to social activity, degree of involvement and organization. This field selection has the advantage of enriching the literature with European examples, which is otherwise very much focused on US or third world initiatives. The practices and experiences of our examples are examined by qualitative methods, mainly by managerial interviews conducted at the beginning of June 2011. The information collected is analyzed along our main research
questions and we set out to discover main threads, patterns and factors of success that could be applied in a much wider field.

Inferences form the field of social entrepreneurship can be particularly interesting for start-ups, as they provide cost-efficient solutions to increase visibility and customer reach. For bigger corporations, the field provides best practices of product or service innovation, collaboration and managing large networks of outsourced production or other business partners, as we are going to on some of our examples. Finally, SE organizations also provide an excellent example of ‘employee’ motivation and commitment, as they make use of their extensive volunteer-base, an NGO practice organically inserted into business context.
Part 1. Theoretical background

1.1 What is social entrepreneurship?

Before going deeper into the field of social entrepreneurship, we inevitably face the problem of definition: a very recent concept mixing business practices with civil society commitment, innovation with world-changing ideas is already difficult enough to describe. If we add the different scientific backgrounds of publications on the topic, it is not surprising, that we can hardly find a widely accepted definition that we could refer to. Instead, we will provide an overview of different theoretical and pragmatic approaches and the most important points to consider. In order to highlight why SE is a new phenomenon and an field worth studying, we will also elaborate on the differentiating factors that tell SE from business enterprises and NGOs. Our goal in this investigation is ultimately to give a clear, operational definition of SE, that could be used as a starting point of an empirical research, which follows at the end of part 1.1.

1.1.1. Overview of definitions

A good illustration of the uncertainty surrounding the notion of SE is our observation that any work on this subject starts with giving a new, tailor-made definition. Starting the investigation at the foundations who select and support social entrepreneurs, we see that one of the most important points for them is social change.

According to the Skoll Foundation, they are the “society’s change agents, creators of innovations that disrupt the status quo and transform our world for the better”\(^1\). Askoka calls them “individuals with innovative solutions to society’s most pressing social problems” and asserts that they “find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps”\(^2\). The Schwab Foundation holds that SEs are “pragmatic visionaries” who achieve systemic change through innovation, focus on social ecological value creation and have for example a “practical but

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\(^1\) Information retrieved from http://www.skollfoundation.org/about/ on the 5 July 2011
\(^2\) Information retrieved from http://ashoka.org/social_entrepreneur on the 5 July 2011
innovative stance to a social problem, often using market principles and forces”[3]. Innovation, passion and sustainable solutions are further common elements, but Ashoka and the Skoll Foundation are not talking about commercial activity.

Going a bit deeper into the literature however, it becomes more complicated as the necessity of each of these elements have been questioned and interpreted in many different ways. Perrini (2006, page 9) gives a good illustration of diverging definitions: quoting Boschee (1998) social entrepreneurs would be “nonprofit executives who pay increasing attention to market forces without losing sight of their underlying mission, somehow balancing moral imperatives and the profit motive” whereas at Mair and Marti (2004) SE is “the innovative use of resources to explore and exploit opportunities that meet a social need in a sustainable manner”. We also find examples for academics emphasizing social change, like Alvord et al (2004) who state that social entrepreneurs “create innovative solutions to immediate social problems and mobilize the ideas, capacities, resources and social arrangements, required for sustainable social transformations”.

Already by this short comparison, we conclude that definitions differ both in the role (or activity in focus) of the entrepreneur and in the weight attributed to the social or the profit-making aspect. In the following, a synthesis of previous definitions is going to be presented, with the attempt to identify some basic characteristics and distinguish SE from non-SE organizations.

In a first attempt, we would like to point out a basic distinguishing element between definitions: according to a narrow view, SE is just an innovation in the nonprofit sector, a response to the challenges of the deteriorating welfare state; while scientists who advocate the extended view assert that it is something new and different (Perrini, 2006). In this latter case the entrepreneurial side is stressed, and SE is usually described as a creative and innovative solution contributing to social change regardless of their organizational form. This broad definition allows even for such new forms of business activities as the ‘bottom of the pyramid’ ventures: even if these are generally regarded as for-profit, their contribution to improving life conditions is relevant.

Thus, Perrini concludes that SE initiatives are entrepreneurial as they have a strong drive toward innovation, change and unmet needs, but they are also social in their long term vision. The definition he gives is that “SE entails innovations designed to explicitly improve societal

well-being, housed within an entrepreneurial organization that initiate, guide or contribute to change in society”

As a second attempt to synthesize the different views on SE, we can locate their mission and activities along 2 axes: entrepreneurship and the social goal (Peredo and McLean, 2006). On the entrepreneurial side, the authors review several current theories on entrepreneurship, relating them to SE through characteristics like opportunity recognition, risk tolerance, innovation, balanced judgment, etc. However, they also make a point against the above quoted foundations’ selection criteria, saying that definition should not build on the success criterion.

With respect to the social commitment, they also make a distinction between those who locate SE in the not-for-profit world (and sometimes include even those associations that have no earned income activities at all) and regard organizations with market activity as hybrid, and those who do not to make the nonprofit distinction. In this latter setting, the question arises if a highly profitable enterprise could still be regarded as an SE venture (like for example Ben and Jerry’s), to which Peredo and McLean suggest to disqualify those that “would abandon the social aims if they believed they would not create added profit”.

The question of profitability also arises at Yunus (2006), who divides social entrepreneurs into groups according to their profit (cost recovery) seeking. He doesn’t exclude any categories, what’s more he applauds those who manage to go beyond the break-even, as it those “have entered the business world of limitless possibilities”, and became independent actors. To give a further push toward the business approach, he then stresses that entrepreneurs should recognize that they have the choice to do business just to make money or, business that is good for the others.

Having seen several approaches of basic characteristics of SE ventures, let us finally quote the social entrepreneur Murat Vural from Chancenwerk (Germany), who himself reinforced the importance of meeting both the social and the financial expectation when he said, a social entrepreneur must be 90% social and 90% entrepreneur, these two are both crucial and not separable. This approach, certainly an experience of several other social entrepreneurs, is being illustrated by Nicholls (2006) who remarks that SE organizations often follow hybrid

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4 Perrini (2006), page 14
5 Peredo and McLean (2006), page 62
6 Yunus (2006), page 40
7 Lecture on the Vision Summit, 8 April 2011, Potsdam
patterns of nonprofit and commercial ventures, move easily across sectors and “will look for alliances and sources of resources wherever they may be found most easily”\textsuperscript{8}.

In the followings we are going to review a few more aspects of SE, reflecting the diversity of theories by first approaching from the field of entrepreneurship research, then from the side of social changemakers, more often part of the third sector than regarded as entrepreneurs. An operative definition is proposed at the end of this overview.

\subsection*{1.1.2. A new form of entrepreneurship}

As we saw, one of the fundamental ingredients of SE is the entrepreneurial, innovatie spirit sometimes coupled with a strong efficiency-orientation or even commercial activity. Looking at the literature, several authors have approached the topic form the research field of entrepreneurship, by defining first this latter in order to access the blurry SE. The most widely quoted is probably a quite early lecture of Dees (1998) where he defines SE as “\textit{one species in the genus entrepreneur}”\textsuperscript{9} but who “\textit{play the role of change agents in the social sector}”\textsuperscript{10}, by using ever newer opportunities to create social value. It follows, that the gauge of value creation, as he says, is not profit or customer satisfaction, but social impact – not for compassion, but for achieving a change.

Somewhat similarly, the innovation that leads to change is emphasized by the foundations we saw above. For example Ashoka claims that “\textit{Just as entrepreneurs change the face of business, social entrepreneurs act as the change agents for society [...]}. While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with new solutions to social problems and then implements them on a large scale.”\textsuperscript{11}

Besides innovation and other elements like the profit motive seen above, another parallel that can be drawn with business entrepreneurship is how they discover, evaluate and exploit opportunities, as studied by Shane and Venkataraman (2000) in the field of entrepreneurship research. Connecting to this paper, Robinson (2006) argues that opportunity seeking is a common point in business and social entrepreneurship, where these latters have their advantage in finding those opportunities that the others are missing, because they are embedded in the social sector market or because those others lack relevant experience.

\textsuperscript{8} Nicholls (2006), page 10
\textsuperscript{9} Dees (1998), page 3
\textsuperscript{10} Dees (1998), page 4
\textsuperscript{11} Information retrieved from http://ashoka.org/social_entrepreneur the 7 July 2011
Despite functional or intentional parallels, other authors focus on the differences between business and SE, that we are going to illustrate with the four key distinguishing factors of Austin et al. (2006). The first is the above mentioned opportunity component, where the SE ventures’ different position arises from specific market failures that they aim to resolve. More important are maybe the discrepancies in their mission and resource mobilization, that are somewhat interrelated: their prevailing social focus and nonprofit profile (even if they are a business enterprise legally) limits their access to usual sources of capital, they have difficulties with paying salaries, hence the substantially different management of financial and human resources. This point on mission and resource management is also reinforced by Sherman (2006). As a last factor Austin et al. point to performance measurement and remark that according to the organization’s definition of social impact, it will necessarily involve a larger group of stakeholders than usual, complicating questions like accountability and measurement.

Finally, we can also make a remark on how the role of innovation in a SE organization differs from that in a business enterprise, despite being fundamental for both of them. For SE ventures that often face an unlimited demand while having only very limited resources, innovation becomes an absolutely vital factor, that must be coupled with a grand aptitude towards networking and cooperation (Perrini, 2006).

1.1.3. Why is it social?

Unquestionably arising from the SE definitions cited in part 1.1.1, we are talking about incentives that focus primarily on a social issue, a problem to solve, a disadvantaged situation to change or a group of people to empower. The intention to bring about social change is thus a necessary condition of being a social entrepreneur, while many, especially the supporting foundations, add the expectation of ‘enduring’, ‘sustainable’ or ‘systemic’ change too. Although assessing these ventures based on criteria like solving a problem, rises questions about their legitimacy and about the measurability of their contribution (Nicholls and Cho, 2006), that we are bound to leave aside in this paper and assume that a simple operational success indicates their contribution. Thus we simply make a few more points on the social aspect of SE, as well as on what it distinguishes from NGOs and charities.

Approaching the field from the third sector, it is easy to see SE as nothing else than business practices applied to the nonprofit field or philanthropy (Reis and Clohesy 2001). Indeed, as it happens, many of these charity organizations are nowadays discovering
possibilities in entrepreneurial projects or ventures and they do insert eventually business practices in their usual operations, a phenomenon often referred to as social enterprise (Dees, 1998b). However, says Dees, the old structure might have difficulties with inserting the new, economic way of thinking in its culture, constituting a risk of cultural conflict or even to undermine its social mission.

It is interesting to compare this approach with that of Steyaert and Hjorth (2006), who also make a point on the dangers of a dominant business logic, but they approach from the opposite direction. In their opinion, emphasizing that social transformation is a characteristic of entrepreneurship as such, does not only help SE to get into the mainstream entrepreneurship science form ‘inside’, but also helps “social entrepreneurship out of its endangered position of fashionable topic for philanthropists, pensioned CEOs equipped with problem-fixing managerial tools” and make it an independent field, just as strong as its numerous and powerful supporters would like it to be. In the same book, O’Connor (2006) adds a further concern about the strengthening business orientation and ‘professionalization’ of SE, colonized by elite business schools. She suggests that it should be put back on the ground of communities and grass-root organizations in order to leave more space to spontaneous, informal and mundane participation.

On the other hand, other authors welcome the management logic as it helps to transform “social dilemmas in developing countries into manageable problems, which they solve in innovative and entrepreneurial ways” (Seelos and Mair 2009, page 229). The same authors also make an interesting but not very often appearing link to sustainable development issues by recalling the failure of many development projects in ‘alleviating poverty’ as we read in the UN Millennium Development Goals. They argue that “SD [sustainable development] cannot be designed or achieved merely through supply and central administration of resources. What might be needed is a fresh approach of finding solutions and changing the very systems that produced the problems in the first place.” This is the point where SE proved to perform really well, and they illustrate the link to sustainable development and ecological issues by the example of Sekem, appraised by the Skoll Foundation as ‘Outstanding Social Entrepreneur’.

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12 Steyaert and Hjorth (2006), page 2
14 Seelos and Mair (2009), page 233
Nonetheless, we maintain that SE has clear distinguishing factors with respect to charity organizations or even to the category of social enterprise, that is third sector organizations allowing for commercial operations. Agreeing with Nicholls and Cho (2006), we see the main difference to traditional social service providers in the innovative, pioneering, hence profoundly entrepreneurial way of working.

Defining social entrepreneurship. Consequently, we propose to define social entrepreneurs as risk-taking, high capacity individuals who propose an innovative solution (read: product or service) to an urging social problem that they carry out in a sustainable, financially efficient way. We thus substitute ambitious words like ‘visionary’ with high capacity, change-making with innovation and market activity with financial efficiency, in order to allow for a broad understanding and not to exclude any genuine and bold project that aims at the better of society.

1.2 Research focus

Having located our research subject within the blurry landscape of social entrepreneurship research or even business studies, in the second part we are going to elaborate on the approach. In this paper we seek answers to the questions, how social entrepreneurial ventures develop their activities, what are the key factors and learnings contributing to their success, and, most particularly, how do their stakeholder relationships contribute to all this. Part 1.2 thus contributes to our investigation with some theoretical orientation points on entrepreneurial evolution and stakeholder relations. The following literature review focuses on specific, yet sporadically appearing studies on SE itself, but some illustrative examples from bordering research fields are also included.

The evolution process is going to be examined from three angles. The first approach is going to be a textbook (read non-empirical) starting point for social enterprise development, to map major challenges and, if there are any, examples of strategic best-practices for SE organizations. Then a range of recent empirical studies are going to be reviewed to see how success is achieved in practice. For the sake of clarity, this question is divided into success factors (a general management, hence more entrepreneurial perspective) and scaling models (an empirical view on increasing impact). Finally, stakeholder issues are discussed, with a short theoretical and empirical overview.
1.2.1. Evolutio
nal aspects

Although examples of successful SE ventures and models of success in this field are extensively studied, SE research has not yet come to a stage when this experience would be very much formalized. Books about setting up a social venture or about how to become a social entrepreneur (like the handbook of the Social Enterprise Alliance, 2010, or Bornstein and Davis, 2010), often provide advice on how to align mission with other activities, how to keep the organization’s image under control, make proper business planning, and, of course, how to get funding. These do not however provide us with much advice on making the venture grow with SE-specific means, even though as Bornstein and Davis (2010) highlight, the main difficulty for social entrepreneurs, especially if they have a charity ‘business model’, is not to start their operation but to grow.

Looking for the answer, we find a definitely non-academic but very practical book making use of many of the latest entrepreneurial practices, the one called Social Entrepreneurship for Dummies of Durieux and Stebbins (2010). The book, just as the other ones, starts off from the individual and social commitment building and emphasizes the importance of communication, as well as finding the right social trend. Then it goes on with a tutorial on SE strategic planning and presents several (legal, moral, ...) aspects of the for-profit vs. not-for-profit dilemma. The most important differentiating feature of this book is that it provides thorough advice on SE growth by focusing on topics like social media strategy, networking, collaborative learning and managing relations to the (offline) media.

To add one more point on why standard business planning might not work at SE ventures, we recall that many of them operate in a very complex, high-uncertainty environment (eg. solving nutrition problems on different parts of the world). For this reason, Thompson and MacMillan (2010) suggest to use the method of discovery-driven planning designed for such cases. The authors call for an extreme level of flexibility and instead of planning on how the model should work, they propose to set up targets for how it should not. In this framework, entrepreneurs start working on the project without being an expert of the field or having hands-on knowledge about local communities, thus they have no rigid master plan, but checkpoints and the evolution of the project organically shapes the business plan. This approach, although quite novel, appears elsewhere too, like in the article of Sherman (2006)
who also states that social entrepreneurship is “not a linear process; rather it is one of discovery, evolution, growth, learning and reinforcement.”

Having discovered some of the specificities of SE venture growth with the help of these handbooks and other practice-oriented works, in the following pages we make some further investigation through academic, empirical studies on SE success factors and growth models.

**a) Success factors that allow for growth**

When shifting the focus from evolution to success factors, the first thing we need to remark is that we left the field of ex-ante planning and arrived to ex-post evaluation of already successful ventures. Another point to be noted, is that research in this field is relatively young and overwhelmingly empirical, thus what we can present here are rather examples of inferences, than theories or elaborate models. A further complication is the extreme diversity of the organizations themselves (Alvord et al., 2004) both in the structure or activity of the initiative, and in their social / geographical context. The organizations’ environment is nonetheless gaining weight in empirical investigation, interaction with the surrounding ecosystem gets more and more in the focus of success-studies (Bloom and Smith 2010).

In order to orientate the present research, a few basic, empirical models of SE growth are going to be presented. Our goal here is to discover main lines and to gain input for our empirical analysis, rather than giving a profound summary of and comparing models that have been published so far.

The first model that deserves our attention is the 3-axis analysis of Alvord et al. (2004), focusing on how the innovation process, leadership and organizational form contributes to success, and using a dynamic approach that helps us to gain further insight into SE growth. With respect to innovation, the authors observe what they call “ongoing fidelity to an initial identity”, referring to SE’s tendency to build on the initial innovative idea, which they can do in 3 ways: building capacity (instead of being a long term actor in their life, the SE helps to build capacities for self-help), disseminating a package (a service is being distributed or made available for an ever widening public, like microcredit) or building a movement (whereby they mobilize grassroots organizations).

Whichever way the organization would choose, some key success factors emerge from the authors’ observations: successful initiatives are able to “mobilize existing assets of
marginalized groups to improve their lives”\textsuperscript{16} and make efforts of continuous learning, while their leaders are characterized by very good interpersonal skills, they are good at dealing with very different stakeholders, building bridges and catalyzing change. In terms of finding the right structure for the growing organization, they find that it either gets more sophisticated or builds on alliances and assistance of larger entities, depending on the way the SE venture decided to spread their innovative idea (see above).

Just as this latter aspect they mentioned refers to the importance of certain stakeholders, Sherman (2006) goes already beyond with finding that successful SEs all share the advantage of effective social and business networks through which they are able to find resources and build organization-level capabilities, while delivering exceptional value and building strong reputation. Building networks is of course not a trivial process: we can get an idea of the importance of entrepreneurs’ social competence (interacting with others, managing impression, persuasiveness) reading the study of Baron and Markman (2003).

Somewhat similar, but more business-like are the findings of the SCALERS model of Bloom and Chatterji (2009) that proposes 7 drivers of success: Staffing, Communications, Alliance building, Lobbying, Earnings generation, (capability of) Replication, and Stimulating market forces (i.e. encouraging participation). In the model, the influence of these factors depends on certain contingencies, like the stakeholder support, financing, dispersion of beneficiaries, etc – in some cases fewer factors are enough, in others all of them might be needed.

The models seen so far seem to agree on the importance of stakeholder relationships and good communication, either in the form of ‘building bridges’ or reputation building, but also encouraging participation. Replicability and developing capabilities (learning) are factors that seem to appear at two of the above models, while staffing or lobbying are only mentioned by one of them – which nonetheless does not mean they would be less valid, it is just an indication that different research environments might lead to diverging inferences.

Finally, in this topic it is worth to mention that SEs evolution has been compared to traditional entrepreneurial growth in the study of Bloom and Smith (2010) who found that the main influencing factors generally seen in the entrepreneurship literature, like resources, strategy and industry context are valid for SEs as well. However, this latter group faces a unique problematic in terms of business partners (as they lack attractive profitability rates,

\textsuperscript{16} Alvord et al. (2004), page 270
they need to engage investors, suppliers and others by compassion, altruism or social value creation) or institutions and infrastructures (that might not be developed in the country of the activity) or, most trivially in terms of business models, with their customers usually not being able to pay.

**b) Models of SE scaling**

Scaling can be considered as the other side of social entrepreneurial growth. It refers to the phase where social innovation succeeds in reaching a wider public or covering a larger fraction of the possibly unlimited demand and thus starts realizing social change. Although the question of scaling or scalability is of primary importance for supporting bodies such as Ashoka, there has been little theorizing done on this field, existing studies most often make use of a comparative case-study approaches (Bloom and Smith, 2010).

Scaling a small venture, that is to say opening new locations or affiliates is an enormous undertaking which comes from the business world where growth is most of the time essential to get strong and survive (Taylor et al, 2002). For social entrepreneurs, state the authors, the pressure comes more often from internal factors such as moral imperative, funder expectations or demand-side pressures, but also from personal ambition. Some of the benefits of a bigger organization are probably the same for both groups: spreading risks, improving efficiency or effectiveness, attract more resources, etc. Besides these, SEs can of course increase their social impact by capitalizing on their stronger brand, reaching the right people and gaining more power in the public policy process. However, scaling is not for everyone, warn the authors, as it might be costly, ineffective and can even jeopardize the original mission or the organization’s reputation. Thus, it is only a good way to go for those who have a real opportunity to achieve economies of scale and to make use of their experience, who are ready to develop the brand and who have a replicable activity.

However, if the SE organization fulfills these down-to-earth criteria, it can proceed to choose a way to increase its social impact. As a starting model, we can again use the approach of Alvord et al (2004) where the choice of scaling strategy is related to the form of the initiative: capacity building could mean a geographical expansion of the activity (e.g. empower people in more and more villages), package dissemination similarly increases coverage by low-skilled staff or provides additional services, while movement building goes rather for indirect expansion through campaigns and alliances.
In the following paragraphs, some further empirical models are presented, revealing two points of debate. One is the question if SE initiatives should grow through an ever extending or ever more sophisticated organization or simply replicate their successful model in a way franchising does. The other point of disagreement is on the concept of growth itself, and some authors advocate local impact enhancement instead of getting bigger.

Even if we can assume that there is a know-how to distribute for local usage, with local resources and partners, replication of a SE venture is much more complicated, as their goal is to reproduce the results, not the structure (Bradach, 2003). According to Bradach, replicability largely depends on the complexity of the organization’s theory of change: the more complex it is, the more difficult it will be to replicate, because it requires more activities to replicate, more knowledge to transfer, a greater need for transparency and performance measures, etc. Then a matching growth strategy should provide indication of: the directions of growth, the type of network to build, how to find key local supporters, the role of the ‘center’, etc. But the major challenge is still funding, as it has been already mentioned, funders in the nonprofit sector do not necessarily intend to invest in growth.

Even with a well-conceived ‘business model’, some of the difficulties related to scaling still remain (Van Sandt et al, 2010), like the work-force problem. All SE organizations need people with an intimate knowledge of the field, but if they need to recruit them, they prefer not to hire ‘factory’ wage workers. However, and this makes it a really difficult task, these people also need to accept lower revenues due to the organization’s lack of capital. According to Van Sandt et al., gaining legitimacy through performance measures and increasing cost-efficiency through technology could catalyze these problems.

Yet, for many researchers, “scaling up is about ‘expanding impact’ not about ‘becoming large’, the latter being only one possible way to achieve the former” (Uvin et al, 2000, page 1409). In this mindset Uvin et al. propose a wider horizon of scaling strategies: quantitative scaling means to expand coverage and size, functional scaling means to increase activities through vertical or horizontal integration, political scaling is to broaden indirect impact though other actors who are connected to the beneficiary group, and finally there is a way to enhance organizational sustainability through better organization (e.g. first form task-oriented teams, then project-organization and finally a program institution). Nevertheless, they emphasize that scaling up is not about increasing efficiency and becoming more professional any more, but about increasing impact without growing, letting go innovation through spin-offs and influencing others even if developing these synergies might be a hard task.
In their quick analysis of the possibilities lying in ‘scaling deep’, i.e. increasing impact locally instead of growth, Taylor et al (2002) draw attention to some of its risks: the organization might get too focused on internal affairs, harder-to-reach clients can be costly to serve, or providing new services might require new skills. Thus they propose some further alternatives to increase impact: to disseminate operating principles and lessons or create a learning network with shared principles.

1.2.2. Stakeholder relations and the role of networks

Besides having a well-conceived business model (along with a theory of change) and access to financing, the second most important factor for SE ventures is undoubtedly their relations to and their cooperation with groups of common interest, the public, local authorities, etc. – as we could see on several examples so far. Without going into theoretical details of the stakeholder approach and its possible criticism (for example Donaldson and Preston, 1995), we are going to use the expression stakeholders to those individuals or groups, that depend on the organization to fulfill their own goals, or on whom the organization depends (Johnson et al. 2011, page 119). It is easy to see that SE organizations need to align their goals and functioning to a number of actors already from the very beginning (SE Alliance, 2010), some of which, notably the beneficiary group or partners on the field might equally be interested in addressing that critical social issue, solving the problem they are aiming at (Dees et al, 2001).

Typical stakeholders for such an organization besides those that we already mentioned, are members of the wider community (around its social activity), other NGOs on the field, competitors, public bodies and local authorities, suppliers and clients, private donators, the public at large in the home country, their volunteers, board members, etc. They do not only provide useful input, information or authorization (or restrain from these), but they also rise an important demand in terms of accountability (Dees et al, 2001). Having external groups that are equally interested in the success or assess the SE based on this criteria, pushes the organization to better determine, measure and evaluate its performance, something that is not so trivial for many players in the social sector.

Cooperating with stakeholders can take several forms, depending on an organization’s governance, age, activity or other factors. Taking the example of business enterprises, the involvement of stakeholders ranges from unilateral influence (dominance), through forums of interaction to sophisticated partnerships or strategic alliances (Johnson et al. 2011, page 135).
One of the more simple forms is stakeholder dialogue, a step taken toward cooperation typically by large organizations (corporates or NGOs) to hear the other party and understand its arguments. Albeit limited in its scope and it might not trigger any immediate change in these organizations, it is still an important learning experience for both parties (Burchell and Cook, 2006).

Reacting to these learnings and aligning functioning to some kind of common rules would be what we call interactive stakeholder relations here, but our interest is rather in the more intimate forms of cooperation, where goals and strategies are simultaneously changing with external influences. A typical example of these relationships is how an SE venture or an NGO aligns its goals with the interest of the community concerned, to which the organization is very often an outsider. To increase understanding, these SEs are interested in developing a sophisticated, multi-layered relationship to the target community that allows them to use the community’s local knowledge, associational networks, means of communication, etc. (Heath 2002).

However intimate and intensive these community relations may be, in Heath’s approach we still see the community as an external group that can be influenced or can be a source of conflict, but in any case it is up to the organization to determine and manage opportunities and risks. Although from an essentially mainstream business perspective, Porter and Kramer (2011) make a step from the stakeholder paradigm toward what we could call ‘embeddedness’, a much deeper level of relations that go beyond philanthropy and any sophisticated CSR practices.

What they propose under the name ‘shared value creation’, is to “enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”17. By defining value as benefits relative to costs and asserting that both NGOs and companies were supposed to provide social value in the original setting, the authors argue that organizations would have a substantially different strategic horizon if they included all the real influencing factors (like environmental impact, water use, employee health and safety, supplier visibility, etc.) into their cost and benefit analysis. Even if this is just the old idea of internalizing the externalities, this Harvard Business Review article illustrates very well those recent evolutions of managerial practices that might put the company back, or at least closer to its social context.

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17 Porter and Kramer (2011), page 66
In the case of entrepreneurs, the relations to society or social value creation are much easier to see, as they form something out of nothing, they create value by establishing links in the economy (and thus society) that did not exist before, by relying on social interaction. To illustrate this thought, Lindgren and Packendorff (2003) provide examples of industrial clusters around the world, where a very specific economic activity is built around a strong local culture, that supports and nurtures certain behaviors and identities. As the authors remark, entrepreneurship literature tends to focus on the masculine image of the deviant entrepreneur who creates new norms and seizes outside opportunities, and they forget to look at how “entrepreneurial action can be embedded in local history and tradition at the same time as it challenges and stretches these taken-for-granted boundaries”\textsuperscript{18}. In their social anthropological approach, entrepreneurship is thus regarded “as a process of constructing and reconstructing the cultural boundaries of everyday life”\textsuperscript{19} – an approach certainly suitable for social entrepreneurship with its subtle cultural relations, creating new ways of solving social problems and engaging others.

Lastly, when talking about stakeholder relations, or rather about social relations, we need not forget what we already saw in the previous part on evolution, that certain actors around SE organizations have an important and very tangible role in their development. Making use of social competencies, building networks and relying on partners in every aspect of the business is an area little covered by academic research when it comes to SE. This being said, networks are just as fundamental for any start-up or traditional entrepreneurial organization, thus in the following few paragraphs we are going to highlight some points in the entrepreneurship literature.

Entrepreneurial organizations rely extensively on external resources for two reasons (Jarillo (1989)): first of all, they often experience fast growth but have only limited resources, thus external actors can provide them with missing (tangible or intangible) assets. The other reason is that with growth, these firms might need to switch to more complicated operations, that would weigh on their initial flexibility, thus they might prefer to outsource these operations.

This logic already highlights another point often made by researchers, that entrepreneurial organizations might need different resources as they grow. While start-ups tend to have cohesive, socially embedded relationships, consisting mainly of the entrepreneur’s personal

\textsuperscript{18} Lindgren and Packendorff (2003), page 211
\textsuperscript{19} Ibid. page 211
network, as the processes become more formalized, the attention shifts to resource availability and the network is managed more and more intentionally (Hite and Hesterly, 2001). Here the organization arrives to a form of co-opetition (Lechner and Dowling, 2003) where relationships are more and more used with a specific goal, like gaining knowledge, innovation or increasing marketing efficiency, which are nonetheless dependent on the firm’s reputation and management style.

According to other scholars however, the essence of these relationships, the content of the network is not necessarily something that evolves over time, some benefits are valid for everyone. Hoang and Antoncic (2003) hold this opinion, however the factors that they point out are not contradictory to the above studies. They see fundamental gains in access to information and know-how (from any actor, e.g. investors, supply chain, customers...), improving reputational or building trust. This latter, often manifesting in implicit contract or partnerships for example, is seen as a great underlying factor for cost advantage.

On the field of SE, perhaps a significant difference is that these organizations are sometimes very far from stellar growth and experience a much slower evolution, especially if they remain in the nonprofit sector. However, as soon as they gain more visibility, the process accelerates and external resources become more and more important (Alvord et al, 2004): they need new allies to carry out their programs they will need, of course, new providers of financial resources, and they need to pay more and more attention to their relationship with the beneficiary group or their donators/clients in the home country.

1.3. **On the qualitative research methodology**

Discovering how social relationships and partnerships around a SE organization are providing opportunities of growth is certainly a complex task, that requires a thorough inquiry. Translating it to empirical research, it results in numerous questions from mapping stakeholder relationships, through organizational history to measures of growth. Depending on what the research objective is, we can choose different methods to approach the problem. Both quantitative and qualitative methods can be used, with two basic difference: the former requires much more data points, while the latter can be much more flexible and adapted to each subject. Based on this fundamental difference and for some further reasons to be detailed in Part 2., for the present paper the qualitative approach is chosen. Some basic characteristics of this approach, as well as a practically oriented methodology is presented below.
1.3.1. Understanding qualitative methodology

If we want to formulate in a sentence what the rich tradition of qualitative research presents as a method, we can call it a type of inquiry aiming at a deeper understanding of phenomena, organizations, psychological motives, meanings, etc. that are too complex to oversee or hidden. It involves the observation of the world in its natural settings, where the underlying reasons and motives are made visible by the interpretation of the researcher, by the meaning given to the phenomena (Denzin and Lincoln, 2005).

Given the important role of interpretation in qualitative inquiries, the observer has to define his/her position with respect to theoretical reference points, otherwise the quality of the inferences cannot be assessed (Ritchie and Lewis, 2003). This positioning can even go into the depth of a philosophical standpoint, as the interpretation looks different in a pragmatic, critical realist or phenomenological intellectual tradition (Neergard and Ulhoi, 2007). Nonetheless, much of the research done in practice is not deeply embedded in any of these traditions, and can be referred to as generic. To be clear in the argumentation and tell the researcher’s interpretation from the original understanding of the participants is probably a more indispensable requirement for this type of research.

There are a few basic types of qualitative research, for example in the classification of Patton (2002), we can choose to conduct basic, applied, evaluation or action research. Basic research is done in order to find out more about a subject, describe and theorize certain elements and make a contribution to a particular scientific discipline. In the present study we are going to use this approach, since applied and evaluation research are linked more to change or control established practices, while action research implies a complex cultural or organizational process in collaboration with the subjects themselves.

For all of the above approaches, the main tools of a qualitative researcher are analyzing naturally occurring data by observation, documentary analysis, discourse analysis, conversation analysis – or to generate data through interviews (individual or pairs) or focus group discussions (Ritchie and Lewis, 2003). In both ways, qualitative inquiries use small, purposefully selected samples in order to get a rich in-depth study. Even an extremely small sample size can provide meaningful inferences as it allows for an in-depth analysis and obtaining data that would have been disregarded by other means (Patton, 2002).

To sum up, if our goal is to describe and explain what exists, qualitative methods provide several advantages (Ritchie and Lewis, 2003). A personal interview, for example, can provide
the richness of information needed to display something as experienced by the participants, while it can also reveal the reasons behind behavior, attitudes or decisions and we can gain insight into the functioning of organizational aspects, success factors, needs, etc. It is a method well-suited for topics where the information is dispersed at specialists or is of sensitive nature. Finally, as qualitative research is less predetermined in its coverage and it is more flexible, it is a good tool to generate new solutions or new hypotheses for further research.

Applying these characteristics to the field of SE, we see their advantages in the ability to handle relatively unknown and complex topics, as well as in the flexibility which allows us to refine the questionnaire from case to case, if we find that it did not reveal as much as we hoped – something that would be significantly harder if we were to redo a quantitative study with a sample size of 100. Despite these advantages, there are also some risk factors to control for, where we can rely on past experience in the closely related entrepreneurship research.

Here Neergard and Ulhoi (2007) provide us with some hints on why this field is being methodologically less rigorous. For such a complex subject, a wide array of methodological tools would be needed to gain a good overview, but researchers, not surprisingly, only use a limited number of tools, mostly descriptive methods, such as structured surveys. On the other hand, find the authors, those qualitative results that still get published, are often based on small-scale studies of a doubtful quality. This has an adverse effect on the number of qualitative studies published: highly ranked international journals tend to refuse these works for the lack of scientific underpinning, which may also prevent scientists to use qualitative methods in their research.

1.3.2. How to conceive a research plan?

Having located the present work on SE ventures within the frames of qualitative research, we now proceed to planning the inquiry, where we rely on the methodology of Ritchie and Lewis (2003) guiding through the steps of definition, sample selection, fieldwork and analysis. The direct link to all of these points to our empirical study follows in Part 2.

Define research questions. The first step in planning a research is to formulate what we are precisely looking for. The research questions need to be clear, focused but not too narrow, relevant and connected to existing literature, while they also need to be feasible in a
fieldwork. In qualitative studies, hypotheses are usually not used, but when building on the literature, the researcher might already have something in mind. Some basic differences might also arise already at this stage according to the research strategy (Neergard and Ulhoi, 2007): in the case of grounded theory, the aim is to collect data in order to form theoretical conclusions, while case studies, aiming at a holistic, comprehensive understanding, usually involve multiple perspectives on the same one or few cases.

**Select time frame, population and data collection method.** The choice between conducting single research episodes or longitudinal studies is what fundamentally determines our time frame, but it is of course true the other way round as well, research is often limited by time. In order to obtain the most possible information in the given time frame, we can choose between data collection methods mentioned above: we can exploit naturally occurring data or generate it by interviews (providing an in-depth understanding of personal circumstances or stories), or focus groups, where we can explore group processes, interactions and give participants a chance to refine their opinion. Interviewing pairs or triads might be a good balance between the two, as there is more space to learn about personal motivations or experiences, while reflection and comparison is also encouraged.

**Design and select samples.** Qualitative research most often uses criterion-based or purposive samples, where a small selection of participants is supposed to provide the highest diversity possible, in order to show every aspect, actor, constituent of the subject matter. Increasing the sample size therefore has a decreasing added value, partly because of tedious processing and interpretational difficulties, partly because recurrent answers are less of an interest in a qualitative inquiry. Having defined and prioritized the selection criteria, the available subjects are chosen from a sufficiently broad and comprehensive sample frame.

If we work with case studies, then sample design is based on contextual factors rather than individual ones: the researcher needs to find the right case or individual to ask. Here the sampling decision has two steps: first the cases need to be selected, then there is a decision to take on the composition and the number of participants in each case.

**Design fieldwork and data collection.** Once the conditions and method of data collection are determined, the exact procedure of the fieldwork has to be planned. In order to avoid getting distracted from our specific empirical research, here we limit our attention to the interviews. Using the common categorization, we assume a choice between unstructured and semi-structured interviews. In the first case the researcher uses a very few, non directive
questions and asks some further ones that arise from the interview itself, while in the latter case the same questions are asked in the same order each time, with still some space left for adaptation or further discovery.

In both cases, a topic guide is supposed to provide directions for the questions but not to limit the research. It can be a simple list of key questions to be covered, or a set of carefully formulated questions. Shorter guides encourage in-depth inquiry while longer ones help to cover several topics. To facilitate reflection and refinement of views, so called projecting or enabling techniques can be used.

**Conduct interviews or research.** This phase has several different stages in the research practice. In the first few minutes, the topic of the discussion and the goal of the research is presented, then the researcher starts with introductory questions. To go deeper in the topic, there are several different ways of asking questions. *Content mapping* questions can open up a topic, allow the interviewee to bring up things (ground mapping questions), focus more narrowly on the details (dimension mapping) or ask the interviewee to reflect, look at issues from different perspectives (perspective widening). The so called *content mining* questions can be used to obtain full understanding of a situation (amplificatory), ask about views and feelings that might have been in background (exploratory), about underlying reasons, explanations (explanatory) or simply about language use, an expressed position or inconsistencies. Finally, there is also a technique that suggests to ask the same kind of questions over and over again to allow for reflection, this is called in-depth iterative probing. All in all, broad and narrow questions vary in a good interview, the former has more role at the mapping phase, the latter is rather for asking about details.

**Analyze.** As there are no clear rules on how to analyze qualitative data, researchers relate themselves to different scientific traditions, like ethnographic, narrative, conversation analysis, grounded theory, etc. These approaches may differ in many factors, such as their focus, how abundant data is reduced, but also in the kind of concepts they generate. In this research, we are going to focus on substantial meanings, in order to trace common patterns, underlying reasons by common sense, and thorough our conclusions we call for new hypotheses to be tested. Thus we use an approach that is close to the one called *analytic induction* by Ritchie and Lewis.

The authors also highlight a few important rules to follow during the analysis: the researchers need to remain grounded in the data, which should be reduced in a way that keeps
the synthesis, the original meaning expressed. Furthermore, the ordering of analytical points should display data in blocks that are easy to oversee and between which the researcher can move around, identifying clusters, associations, characteristics.

There are several stages of qualitative data analysis, which remains relatively stable across traditions. The basis of the analysis is data management, it has to be processed which allows for the identification of initial themes or concepts. Then there is a descriptive phase, to identify elements, dimensions, refine categories, typologies and detect patterns. Finally, the researcher explains what (s)he sees: answers how and why questions, seeks theoretical or policy applications.
Part 2. Empirical research

Having provided a broad overview of social entrepreneurship in Part 1 of this paper, we can now summarize the most important questions and common research topics that will guide our field study. It has been highlighted, that the definition of social entrepreneurship in the literature is blurred and varies widely with the focus and professional background of the authors. In order to leave more space for the sample selection, we decided for a broader definition, thus we consider social entrepreneurs as risk-taking, high capacity individuals proposing an innovative, marketable solution (read: product or service) to an urging social problem. Furthermore, we also set out that this solution should be existing and carried out in a sustainable, financially efficient way.

As we saw in the previous chapter, social entrepreneurial organizations are often difficult to distinguish from business ventures with strong social commitment or, at the other end of the scale, from NGOs, as they might have a not-for-profit legal structure for example. These bordering characteristics are however interesting, as they provide a ground for innovative solutions and new models of achieving organizational goals. Several models of social entrepreneurial success and growth were overviewed in part II/2, with various key factors pointed out by previous studies and a special attention was given to stakeholder relationship, still a field that has been left on the sidelines of SE research. In the following summary of our field research, the greatest emphasis is going to be placed on these questions, with the objective of presenting key issues of organizational development in a detailed way, reveal its dynamics and relate growth to the use of stakeholder relations.

As it is going to be presented in part 2.1, we are working with a geographically constrained sample frame and quite restrictive selection criteria, that clearly favors a loose SE definition (like the one given above), in order to find a sufficient number of cases. The sampling constraint comes from the fact that the present paper joins the interdisciplinary ‘Getidos’ project of the Institut für ökologische Wirtschaftsforschung (IÖW) in Berlin, which provided the basic directions of the empirical research. Getidos, that stands for ‘Getting Things Done Sustainably’ is a several years long scientific project in cooperation with the University of Greifswald and focuses on the role and potential of social entrepreneurs to bring about
sustainable change in society, in particular around the problematic of water. It aims at developing a framework to assess this role, evaluate certain initiatives and connect outsiders to the field by a multistage education program. The present paper provides valuable input and background information to Getidos, by analysing water-related social entrepreneurial ventures, and thus connecting to one of the organizations they focus on, Viva con Agua (see below).

**The main research questions** of this paper are focusing on the areas illustrated above. How do these organizations extend their activity and how do they use their different stakeholders to grow? What are those complementary competences or learnings that make these relationships (perhaps mutually) profitable? What are the differences with respect to traditional business ventures in terms of levers of success and ways of extension? And finally: does the target group of the social initiative play a role in the scaling process? As part 2.1.3. describes, these questions are going to be examined in a qualititative study mostly based on managerial interviews and publicly available information. The limited scope and small sample allows for a deeper analysis, while the differences among the subject organizations provide a broader view on the above-mentioned questions. Part 2 summarizes the key learnings of the field study and puts it in the theoretical framework provided in the previous chapter.

### 2.1. Introducing the field work

#### 2.1.1. Choosing the field: social entrepreneurs in the water sector

As presented above, this work joins the Getidos project of IÖW Berlin that determined its sample frame and set some directions for the research questions. The project focuses on one of the most important social problems of the 21. century, namely the scarcity of clean drinking water and reviews initiatives that are working on a solution. According to the UNESCO’s World Water Assessment Programme¹, each person needs 20 to 50 liters of safe drinking water every day, the quality of which largely determines our health conditions, just as sanitation and the conditions of freshwater ecosystems do. However, as we can read on the UN Water site², 894 million people, which is more than 1 in every 6 persons on the planet don’t have access to this basic good these days and almost three times as much is the number of those who live without basic sanitation – while bad health conditions weigh heavy on

¹ UNESCO WWAP site: [http://www.unesco.org/water/wwap/facts_figures/basic_needs.shtml](http://www.unesco.org/water/wwap/facts_figures/basic_needs.shtml)
national budgets and impede economic growth through several channels. The highest number of the people affected live in Asia but proportionally the group is bigger in Africa\textsuperscript{3}.

Recognizing how essential this problem is, more and more NGOs launch action programs, while social entrepreneurial ventures provide innovative solutions to several aspects of drinking water supply. These initiatives typically set out to install wells in villages that have no freshwater source in their area, to improve sanitation in community spaces (like schools), to provide new ways of access to drinking water (e.g. distillation) or to improve household water treatment. According to a comprehensive overview made for Getidos, most of these initiatives, naturally following the geographical distribution of water problems, originate from outside of Europe. For similar reasons, although along other social issues, this is also a common characteristic of the social entrepreneurial ventures reviewed in the literature.

Thus, when looking for the right field for the present study it seemed to be an interesting challenge to fill this gap and look for water-related social entrepreneurial ventures initiated in a European country, even if they might have a more distant connection to water scarcity. Due to the time constraint, which was set up early for this research, discovering such players could not take more than 2 weeks and the focus was on Germany, France, Switzerland, Belgium, and the Netherlands.

The inquiry started from the Vision Summit conference in Berlin as well as big hubs like Ashoka or the Schwab Foundation, to proceed to various organizations that support or advise social entrepreneurs or business start-ups. In the first round of this research, any kind of venture was listed, that had some connection to water and showed a strong social commitment. The organizations found are very diverse with both respect as illustrated on Graph 1. On this graph, the initiatives are plotted according to their location and social mission, which latter was a non-scientific measurement based on publicly available information (summarized in a short description under each name).

Some of them have the clear objective to broaden access to clean drinking water (like for example 1001 Fontaines and Viva con Agua), others help to preserve water or water quality through their products (like Phytorestore, Ecover or Aquachiara) while some more organizations simply have a logical connection to the field as their product is based on water, like the relatively large number of drink producers. On the other hand, they show great differences in terms of social commitment or their relationship to social entrepreneurship.

\textsuperscript{3} Ibid. UNESCO WWAP

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Apart from a few NGOs mentioned in the graph (as they are not in the scope of this research, we had no intention to map these organizations more thoroughly), we only found 2-4 European organizations that state explicitly that their activity serves a societal goal.

Viva con Agua and Quartiermeister both qualify as social entrepreneurs in terms of the definition cited in the introduction of Part 2, and a few other organizations have a clear goal of improving conditions of life. Groasis Waterboxx has a great innovation that allows growing plants even in particularly dry areas, and although the role of business is unclear, based on the information available on their homepage, we assume that it is a for-profit, family-run company. LemonAid is a drink producer founded on the intention of contributing to fair trade, however, their principles of operation are closer to a traditional start-up.

On the boundaries of this circle we can still mention Phytorestore and Aqua Society that have products that improve water quality, but they are less of a mission driven company as innovative environmental engineers. Outside of this circle we find producers of environmentally friendly cleaning materials that grew to large companies by now (although they still strive to be exemplary in terms of sustainable operations), water-related start-ups...
with more traditional business models and finally, drink brands with variably strong social and environmental commitment.

2.1.2. The sample

Having mapped the field, we can see that constraining the research on water-related initiatives in Europe considerably limits the sample, to the extent of providing only 2 purely social entrepreneurial ventures, both of them drink producers and only one of them having an explicit goal to improve access to water across the globe. On the other hand, this latter, Viva con Agua is integral part of the Getidos case studies, hence it made sense to sample comparable organizations with VcA. Finally we decided for a comparison of drink brands with a high level of social commitment, from which we found 4 all together. An interesting ‘synergic’ effect of this sample, that the chosen organizations have already discovered that they have much in common and are cooperating on diverse grounds.

**Viva con Agua** is a Hamburg-based, internationally active association, recently expanded with a company and other entities (see in part 2.2.1.). They are present in several German cities and abroad through their cells, that are created by local citizens who wish to get involved. VcA’s primary goal is to raise funds for sustainable projects that enable access to clean drinking water, that they realize with the help of the German NGO Welthungerhilfe, currently in 15 developing countries. They also set out to raise awareness in their home country of the scarcity of clean water by several public campaigns, actions and educational programs, as well as to create a community platform to facilitate individual participation.

Funds for the aid projects are raised through several channels: they collect deposit bottles and other micro-donation at major events like festivals, concerts, parties, or local cultural events like exhibitions. They also organize several sport events, matches and competitions to raise awareness and collect funds. To take it to a next level, they just launched their bottled mineral water brand by setting up a for-profit company, where at least 60% of the profit goes into water projects. The operational costs of the VcA association are nowadays partly covered by the sales of different merchandise articles. VcA now expands on these two fields, by business growth and through their cells, which latter initiatives have a high degree of freedom in terms of event organization or other fund raising activity.

**Quartiermeister** is a beer brand launched in 2010, sold in Kreuzberg and Neukölln neighborhoods of Berlin that supports social projects in the same areas with the entirety of its profits. The beer is produced by a private brewery in a 150 km distance to Berlin and uses
exclusively regional ingredients. About the not-for-profit nature of their business they say: “finally, it is the money collected from all those beer drinkers in the hood, so it should benefit them as well”\textsuperscript{4}. The revenues are redistributed through their association (founded in February 2011) among projects that apply for financing or that are discovered by Quartiermeister.

**LemonAid** and **ChariTea** are soft drink brands of a Hamburg-based start-up, called LemonAid, launched in 2009, produced exclusively of organic, fair trade (TransFair certified) ingredients. Besides being committed to fair trade, they also wish to transfer a sizeable part of the profit into social projects on the plantation sites at the end of each year. According to the daily newspaper Tageszeitung, the amount invested reached almost € 40000 in 2010, which was their first full year\textsuperscript{5}. This amount could be produced thanks to their good positioning on well-to-do, young people, interested in fashion and design, who they reach through a number of events, as well as in cafés and chic supermarkets.

**Premium Cola** and **Beer** are brands under creative commons license, managed by a not profit-oriented company, the Premium collective, with a wide range of environmental and social commitments. Premium has no headquarter, but it operates as an extensive network of independent actors (producer, transposrters, wholesales, etc) and makes its decisions on a partipative democratic basis, on the consensus of each member of the value chain. Great emphasis is put on fair, rather egalitarian deals with members of the network (collective, as they say) and on the refusal of traditional, debt-based and profit oriented business practices. All these particularities have their roots back in 1999, when a consumer community was formed to protest against the quality change in a small cola brand – this is where Premium was formed of later on.

Although it is not committed to solve any social problem as a mission, the company transfers some part of its profit to anti-alcoholism projects, makes organic beer and just launched a new brand of fair trade coffee, where, being unsatisfied with current standards, they pay 150\% of the fair trade price of raw material. The most interesting point in Premium is still it’s unique and alternative business model based on trust, commitment and participation, that has a notable effect on the stakeholders that they work with.

\textsuperscript{4} http://www.quartiermeister.org/not-for-profit
\textsuperscript{5} http://blog.lemonaid.de/post/3328158180/aus-der-taz
As we can see, the four organizations to be studied show quite a few differences, but also some similarities. Even though they all have a (sometimes central) business activity, they all redistribute a great part of their profit and most of them, with the exception of LemonAid, declare not to follow profit objectives. They all have an environmental commitment too, or at least locally sourced ingredients, which is integrated in the production design and, as we are going to see it later on, they are all very open to stakeholder participation and willing to share decisions with them. On the other hand, the organizations show a variety of age (Premium is 10 years old, while Quartiermeister just started last year), size and growth strategy, that are going to be analyzed in detail in part 2.2.3. They are not uniform in their legal and organizational structure either: those two that can be considered as a social venture, separate their business and social activity in two entities (a nonprofit and a for-profit one), while the other two only have one legal entity.

2.1.3. Methodology

The research method for this paper was chosen to provide an optimal input for the purposes mentioned above: getting to know stakeholder relations of these small organizations, see how they use them and discover other levers of growth. As the functioning of social entrepreneurial organizations is little documented, one of the main goals was to collect more information, describe and reveal some of the reasons behind these findings. Taking into account the dispersed nature of this data and the limited sampling frame that we had, qualitative research emerged as the most appropriate method. For the reasons detailed above, the available sampling frame was given already at the beginning of the research and the subjects were selected quite early, which had some influence on the methodology too.

Although small sample size is preferable for qualitative purposes, as it allows us to analyze complex questions or underlying reasons on a deeper level, we find it constraining with respect to theoretical inferences. For this reason, we focus on the understanding and interpretation of empirical findings, in order to provide input for further research. In order to devote more energy to the understanding of functional aspects and business models, we are also not going as deep as the level of attitudes and behavior. However, we call for the attention of future researchers to include the organizations’ partners and other stakeholders in the sample in order to get to know driving forces or limits behind their actions.

Proceeding to data collection, we used both publicly available data (information on their websites and blogs as well as newspaper articles or interviews) and managerial interviews.
The latter was a logical choice given the specific questions on the evolution of the organization, limitations and opportunities – questions typically best overseen by the founder or the manager. Here again, as a subsequent step for our research, it could have been interesting to complement these data with real-time observations at events or association meetings, but during the limited time-span we had, this opportunity did not occur.

Considering these expectations and limitations, the research intends to follow an approach that blends the depth of case studies with the potential of comparative analysis to produce valuable conclusions. Although case studies would normally involve several personal interviews for an organization, we assume that the ones included in our research are small enough to be overseen by the manager, since they only have very few employees. While considering the four subjects as separate cases allows us to see the differences, findings are going to be grouped along major topics for the sake of the analysis to be able to find patterns and facilitate further research.

Having set up the methodological framework, the next step is to design the data collection process. As usual, in the first phase all publicly available data was collected about the 4 organizations and arranged in a table, in order to be clear about missing information (for example about legal status or actual stakeholders). This served as a variable basis for each interview, thus we applied the semi-structured method later on for them, see the topic guide in the Appendix.

Each interview started with tailor-made mapping questions along the organization’s history. The intention behind was to gain an overview of its structural evolution and stakeholder relationships and provide a starting point for further investigation. Whenever the interviewee mentioned an event or other factor that seemed to be important for the organisation, yet not made clear enough, further dimension mapping questions were asked.

The topic of stakeholders usually emerged naturally from the talk, and here again questions on details were asked. The main point here was to understand the partner selection process and to see why and how they cooperate, what kind of competencies they gain from the other party. Another important aspect of this part was to ask questions on all possible groups and levels of stakeholders, a topic that would already require hours to document, since these organisations tend to have a very cooperative culture, with an extended network of internal and external actors, each of which have an important role in the entire firm.
Following this mapping, the participants were directly asked about what they learnt from these relationships or what important competencies do their partners (or their organization itself) have, but this was usually a difficult question to answer. Just like another one asked somewhat later about what they considered as their success factors. It is clear that further investigation could be made at this point, with more precise methods that allow to dig deeper this relatively hidden field (using more story telling for example, and, again, asking the stakeholders themselves) which we have to assign to future research.

While planning the interviews, it was already clear that with 3 of the organizations only a phone interview could be made, since only Quartiermeister is based in Berlin, where the first 2 months of the research was done. Further limitation occurred at Viva con Agua, as they were not only very busy with organizing events and being right before the festival season, this association is also one of the important subjects of the Getidos project, thus conducting an interview with their manager had to be reserved to IÖW. However, this is not to jeopardize our research since the publicly available information on this organization is very rich due to growing media attention, and IÖW could also enhance it with further background information. To sum up, interviews were only realized with Quartiermeister, LemonAid and Premium, finally all of them on the phone for the sake of flexibility.

2.2. Analysis

In this part the collected data is going to be analysed along three topics that reflects our research questions. First we provide a more detailed description of our sample organizations to highlight their specificities and understand their current structure. This part also includes some reflections about how they align mission and commercial activity and what kind of growth models they choose. Then, in part 2.2.2., we proceed to the analysis of stakeholder relationships, starting from a detailed mapping and then elaborating on involvement, competencies and learning. Finally, part 2.2.3. contains observations on the success factors that allowed these young organizations to grow so far.

2.2.1. Organizational and historical aspects

The four organisations studied show some important differences in terms of activity, status and structure. As we could already see in part 2.1.2, three of them define themselves as drink producers, while Viva con Agua’s (VcA) main activity is nonprofit foundraising, where their bottled water brand is just one part of the business model. It has been also observed and
illustrated on Graph 1 in the same part, that they have a diverse relationship to the principles of social entrepreneurship: LemonAid is for example a profit oriented company with emphasis on fairtrade and donations to development projects, while Premium is not a profit-oriented company but they besides the exemplary organization, they don’t have a distinct social mission.

Social entrepreneurship is considered to be right at the intersection of the business and the nonprofit sector, so did these initiatives chose naturally different ways of functioning and diverse legal forms. In the case of our examples it is interesting to see how they blend the two logic, and how the applied form reflects their activities.

a) Structural evolution

The one that is the most ‘nonprofit-like’, Viva con Agua (VcA) started as an aid project in cooperation with the Geman NGO Welthungerhilfe, then became a nonprofit association more than one year later with fund raising and project financing as their main activity. In 2009 they decided to support this objective with a commercial activity, and to make VcA much more visible with a well-managed brand. However, this activity appears in a separate entity run by professionals, financed by business investors and the production outsourced to a bottler company.

That is to say the structure was expanded with the VcA Quellwasser GmbH, a for-profit company, and a foundation holding 40% of the company that redistributes the company’s respective profit and also owns the brand now. A further 40% of the bottled mineral water business belongs to a third entity, the VcA investor partnership consisting of a few private investors, that commits itselfs, just as the GmbH does, to support the mission and objectives of the VcA association. This structure has two more remarkable characteristics: although the activity of VcA is lead by the founder, Benjamin Adrion, who also represents the initiative at any major event, his formal role is limited to chairing the foundation, as the 4 entities cannot have common managers or directors\(^6\). The other point is that the foundation was created by private individuals that are themselves known personalities (musicians, football player).

As mentioned above at the presentation of the sample, besides a commercial business model with a growing market share and boosing visibility, VcA extends its activity through cells, that are created and run by enthousiastic individuals even abroad (Switzerland, Spain).

\(^6\) In German expression for the legal form of the association and the foundation we find the adjective \textit{gemeinnützig} which presupposes that the organization has goals that benefit the society at large. To make sure this is the case an it does not serve private objectives, there are strict rules on governance.
The number of helpers around VcA is around 2000 now, the waste majority of which are volunteers. This means, that geographical presence is so far understood mostly extended through the nonprofit part, although they are planning to contract further bottlers in order to use water sources in different regions.

What we see at VcA at large scale, translates to the small structure of Quartiermeister, although on a different path. In this case, the business and the nonprofit activity started at the same time and evolved together. Sebastian Jacob set up the initiative as a sole proprietor and assembled a short supply chain between the beer producer, some Berlin bars and the social projects. As Quartiermeister grew, he got help from friends and from their friends, who organized themselves in an association early 2011, responsible for allocating funds between the social initiative candidates. Nonetheless, the business part is still run by Jacob with occasional help from the volunteering members of the association, he intends to switch to a more collaborative structure\(^7\) in order to \textit{"decouple it from my personality, this is quite important for me"}\(^8\).

The two other organizations studied, although they both started with a clear value orientation, never had a nonprofit structure. LemonAid was set up by Paul Bethke and Jakob Berndt with the aim of proposing an alternative, and better solution to development aid – so they decided to put soft drinks on the market that are entirely sourced within fair-trade agreements. Being aware that this would not be sufficient to effectively support producer communities in the third world, they redistribute a part of their profit to aid projects, but here there is no intermediary association, the revenues flow directly to an organization who realizes the projects.

Somewhat more particular is the case of Premium, that, as mentioned before, started as a consumer initiative without any legal form, then ended up coordinating a network of suppliers and handlers under the brand name Premium and the leadership of Uwe Lübbermann. It operates as a collective, the borders of which are somewhat vague, since their explicit goal is to include anyone who wants to participate, even in the decision making process. Stakeholders like the bottlers, wholesalers, transporters, partner brands etc, normally considered as external actors, can be part of the collective if they wish to do so, by simply being more active on what is happening on the Premium mailing list that they have access to.

\(^7\) The structure would be a so-called \textit{Unternehmergesellschaft}, a small company structure with limited liability, which is designed to make start-ups\(^7\) life easier.
\(^8\) Quotes without an explicit reference in our analysis are all taken from the interviews.
Illustrating this openness, Premium declares itself not to be profit oriented, for the reason that any kind of ambition of making excess revenues would take away money from someone else in the collective (like a retailer or the customer). In practice, this translates to a profit redistribution, partly in favor of preventive action against alcoholism, partly to members of the collective.

To sum up our observations with respect to structure and main tracks of evolution, we see that these organizations blend nonprofit action with business activities in a rather pragmatic, cost-efficient way. Already based on this short description, we discover that networks play an important role in their evolution: expanding activity through informal, but committed and well-connected cells of local people, establishing links to the local scene, getting contacts and enthousiast ‘salespersons’ seems to be good way of preparing the market for even a commercial product or simply for boosting sales or visibility. The forthcoming parts will add further thoughts to this aspect.

b) Mission and product

Closely related to this question is our second observation: all the four initiatives have deliberately choosen a product that would give the most efficient support or visibility to their social mission – it is thus worth to make a few more remarks on their activity.

Mission is not necessarily understood by them as providing access to drinking water or helping social workers in Kreuzberg, but it’s also the objective of being exemplary, showing a better way of doing what they do. Viva con Agua emphasizes that they are a unique “all-profit” organization, meaning that all the stakeholders benefit from their activities\(^9\), and declare the VcA Quellwasser GmbH to be the first German social business enterprise – thus they aim to be examplary with their business model.

Quartiermeister states, “there has never been a more reasonable way to drink beer.”\(^10\) on the starting page of their website, and emphasizes the social commitment and the unique benefit it delivers to the community. LemonAid is based on the wish to show how fair-trade could work properly, based on the hands-on experience of one of the founders who lived in Sri Lanka for years and saw the ineffective and unreasonable way of spending public money. Thus they set out to create a high-quality product that could attract young people and still

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\(^10\) See http://quartiermeister.org/, information retrieved on the 13/07/2011
make a difference in terms of social contribution. Lastly, Premium has brought an entirely new structure with products that are free to copy (under creative commons licence) and managed to achieve success based on trust and collaboration, something that no reasonable company would rely on.

Thus, if we assume that it was the objective of being exemplary, that was born before the product concept (which is what our interviewees tell us), it is not surprising to say that the nature of the product they sell is a secondary issue for these organizations, albeit organically related to the social activity. On the question, why they chose the product they are manufacturing, all of them expressed that they just needed something that is easy to sell. As Jacob from Quartiermeister put it:

“The original idea was actually just the question, if there was an easy way to make a consumer buy sustainable products, someone that has an average level of information, like myself. And then you need to present that product in the easiest and most understandable way possible, in a way that speaks for itself.”

Further reasons for beer were that it is usually consumed in friends’ company and it is a popular product that people talk about anyways: “you won’t get your friends together to drink apple juice”, as he added. Premium had somewhat similar arguments, saying that:

“We at Premium have quite a lot to explain, what we do, how we do it... If we had a product that also needs some explanation, there would be just too many things to make clear. We were also looking for a standard, established product, that already has a large market, so that we could live on just a small fraction of it.”

Thus, we can say that the primary goal was not the product itself, but to show a better way, an example for an alternative. Although LemonAid had more of a branding concept behind (“this idea that we could make a lifestyle product that has social benefits”), the actual product was finally chosen on dimensions like “something that tastes good and that could be composed of fair trade ingredients”.

The only organization that is a bit of an outlier here is Viva con Agua, whose commercialized product, besides a restricted amount of merchandizing items, is bottled water. Although it seems to be logically consistent with their social activity, underlined by the communication of the brand, where it is being called ‘thirst quencher’ referring to the thirst of people living in water-scarce areas – despite this link, the product has been criticized from
behalf of the community, saying that privatizing a public good is inconsistent with VcA’s mission.

c) Tracing growth models in organizational history

Following the launch of their first product, it is also interesting to note that they did not defer from the above mentioned principles or reasoning when putting further products on the market or extending their social activity. LemonAid has only launched new flavors of their ‘lemonade’, VcA keeps on financing the same type of drinking water projects all over the world that add to the water supply of small villages or schools in distant areas, while Premium is consistently replicating its business model by co-creating new firms or by extension. Their financing model remained the same too, they are just doing it on an ever larger scale, which is true for VcA too, if we regard the continuity of their fundraising activity: being present at every bigger festival and organizing more and more sport and music charity events. LemonAid has put new products on the market but they followed the same principles as declared above, just like Premium did.

There are two diverging points to this observation: the bottled water business of VcA that lead to a structural change in the organization even if it had no influence on their core activity, and Quartiermeister, although they are still at the very beginning, but Jacob added that:

“Beer is the best for starting this kind of business. [...] However, as soon as we have a sufficiently large network, we don’t have to stick to beer, it can be other product too. Collecting donations for a social objective would work with any product in theory.”

Thus, we can say that growth until today has been consistent in all of the four cases. With this respect, they have a further common point in humble financing needs, maybe with a slight difference at LemonAid. These organizations typically have a low-cost, low-investment structure, partly supported by volunteers, partly by outsourcing the capital intensive production to large companies. As Lübberman of Premium illustrated:

“Our production [of Premium Cola] takes up only for 1 day/month at our bottler, they have so much bigger capacity.”

This collective is the extreme example of low capital needs, as they refuse leverage and prefer to grow on their own, so to say, with own capital instead of external investors. Even more interesting that they apply their network model even on product development, like the
latest elder drink demonstrates, to be launched soon by some of the members of the collective in Freiburg (while Premium is based in Hamburg). Besides Premium, the business model of LemonAid and the VcA water company is somewhat more traditional, they did use external capital, even if they do not own any of the production facilities either and VcA outsourced the whole logistics too.

At Quartiermeister, we find an interesting blend of the two ways, the growing market share of the for-profit activity and the network-based expansion of the social side. As there the initial investment was very low (own capital) and they are still not looking for other opportunities with this respect, they had to find an innovative way to expand. Being already a mixture of nonprofit and for-profit structures, their growth model relies on the same idea, they replicate the whole mixed structure in order to reach new regions. They created a cell in Frankfurt that consist of a nearby brewery, a local initiative helping with the revenue redistribution and volunteers who coordinate the new distribution. Although we can add a side-note that it might change in the future, as Jacob expressed his wish to pay a salary to everyone who works with them (“it cannot be called social until you don’t pay for people’s work”), and if they get integrated to the business entity as employees, they might need to move more into that direction in terms of structure and financing to.

Again, LemonAid makes some use of the nonprofit netwok model, but they do not integrate this as much in their development, as Quartiermeister. Their business activity remains centralized but as they target a certain group of young people (who are sensitive to design and fashion, have certain consumption habits, etc) it is important for them to have an adequate representation in the local scene. Thus, they have ambassadors (“people from the local scene, artists or other personalities, that might be from the gastronomy, social sector... who find our project interesting”) and work with volunteers too, which can be considered as an indicator of the power of their commitment, as they are inspiring others to do for the case they are promoting.

An important contribution to the development of these organizations is made by external actors, like the providers of business support services, like PR and advertisment agencies, webdesigners, lawyers etc. Part 2.2.2. provides further details on their role, so here we just note that most of these firms or individuals work for free for our participants, and these latters are often just waiting for these professional volunteers to show up by themselves. As we also remark at the beginning of part 2.2.2/c, this might present a growth constraint to these
organizations but they don’t seem to regard it as such, which is understandable if we consider all their other constraints: workforce capacity, capital, capabilities.

To sum up the observations of part 2.2.1, we can say that although the organizations studied show quite some differences in their structure, legal form, or the social mission they pursue, they all rely heavily on informal relations and locally embedded networks. A further common point is their need to be an exemplary organization, and provide a ‘you can always do it better’ example. Compared to this goal, product concept is a secondary question at most of them, they were just looking for a straightforward product that is easy to sell you young (or not so young), urban people. Most of them did not have major changes in their activity, but just replicated or extended it to other regions or countries, with the exception of VcA who launched a bottled water brand and adapted its structure to the new, economic activity.

2.2.2. Stakeholders as actors and supporters of growth

In this part we add our observations on the organizations’ stakeholder networks. Given that they are all operating brands of soft drinks, they use similar sales channels or marketing tactics and, with the exception of Premium, they also have a social entrepreneurial activity, their major stakeholder groups are going to be very similar too. Thus, in a first step we are going to map these relationships along the value chain (and beyond), mentioning individual divergences at each point if necessary. Then, in part 2.2.2./b, we detail our observations on stakeholder involvement and how different groups can participate in decision making and innovation. Finally, in part 2.2.2./c., we analyze questions of competency development and learning.

a) Building up stakeholder networks for mutual benefit

When mapping these relationships, we have to keep in mind the dual activity of these organisations: on one hand they all have a business entity, typically very small with disintegrated value chain (only partly coordinated by the organization), receiving support from outside, and on the other hand they also have a social activity, that varies in size and involvement. Graph 2 summarizes the stakeholder network of a typical organization in our sample (not all of them have all of the partners or actors presented on the graph), with internal and external stakeholders, where this latter group is broken down into those who they
communicate regularly with, and those who they do not. In this part we provide a brief description of each of the most important stakeholders from both sides and make some remarks on their selection. First we analyze relationships to the more sizeable group of external stakeholders, then those to the members of the organization(s).

**Graph 2**

**Production and inbound logistics.** At all of our examples, the production is outsourced to a large bottler or drink producer company, which means that most of them do not have to deal with inbound logistics, that is raw material suppliers. With this latter respect, LemonAid differs a bit having built up direct relationships to the farmers they support, but they too rely on external partners when it comes to raw material import. The profile of the producer company was not a major concern for neither of our initiatives, they were mostly selected along technical criteria: for LemonAid it was crucial to find someone who can deal with their irregular bottles and who was organic certified, while Quartiermeister was looking for someone local. Besides ordering the shipment, they do not build a closer partnership with them.

**Outbound logistics and sales.** The everyday relationship between these stakeholders and our organizations is limited to the coordination between actors like transporters and wholesalers, but they might take a more active role in selecting sales points. In this stage, the
partners are typically drink retailers, shopkeepers, bars and cafés or even supermarkets. While LemonAid and VcA used probably quite a few times traditional sales techniques to find retailers, there are some alternative ways of partner selection that we would like to highlight here.

Especially in the case of Quartiermeister and Premium, but also regarding VcA’s activity on the field of events (which is the greater part of their business model), we find two other typical ways of selection: retailers/locations were not selected, but they joined, with Premium as an extreme case, who does not approach any retailer, but accepts all of those who want to join their network – or they were selected barely on an availability basis. Especially among retailers or caterers, this latter refers to the tightness of the market: as many bars, cafés and others are contracted to big companies, it is impossible to get on their shelves with a competing brand, unless the owners have committed themselves to remain independent. As Jacob of Quartiermeister explained:

“So they are often collectively organized bars or something like this”.

Thus we infer, that despite their sales tactics appearing to be arbitrary, they end up being coherent and reinforcing the brand, as the caterers usually share their values too. There are two reasons for this, one is that only the small, independent bars are available for small, independent drink brands, and the other one is that the ‘salespeople’ of these brands, that is to say friends of the founders or other volunteers, tend to walk into places that they like or that they consider to be acceptable, thus the chosen location is going to reflect their cultural background, which is close to the brand identity as well. Like LemonAid said, they choose points for their distribution where they also like to hang around, which also has the advantage that:

“Even the caterer would identify with small start-up brands more easily [...] They are also much closer to our target group, those people who would like our product and spread the word.”

Somewhat similar in its role with respect to customer reach, but different in its place among stakeholders, the events where Viva con Agua collects deposit bottles. As Adrion explains in an interview11, as their goal was to target young people in an unusual way that would be more fun for them, they started their activity at concerts and festivals where this

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target group is present in a high number, would surely consume bottled water and is likely to participate in such an action.

Other parties in the logistics and sales are less of a concern according to the interviews. Although they are very important in terms of business functioning, the four organisations do not put much effort in their selection. This might be attributed to the fact that these are young organizations run by only a few managers (the founders), who are currently focusing on smooth operation, regular shipping and extending their activities, instead of improving efficiency and profitability. Increasing visibility is apparently more important currently than negotiating good contracts, which may also be due to the lack of business experience in LemonAid, Quartiermeister or even VcA.

**Support activities.** Besides the business partners along the supply chain, all of the 4 organizations rely on the help of experts in several functions: external communication, product design, visuals, law consultancy, etc. Again, most of these partners were not selected, but they joined, met the concept somewhere, liked it and decided to offer their services free of charge. As Sebastian Jacob underlined, this is why visibility is very important for them and this is what they mostly got out of the nationwide SE conference Vision Summit in April 2011:

> “Then there is always a small fireworks of offers, for example someone comes and says, hey, [...] I have a small media consultancy and I would be glad to offer free consulting to you. Or I have a bar and I would like to have Quartiermeister. [etc]”

Even if they do not join from themselves, having a social mission and working for a good cause does help to get services for free or very little money. This can be illustrated by a text on LemonAid’s homepage\(^\text{12}\)(confirmed in the interview too):

> “We owe our unique presentation to some of the world’s best in creative design. They too were tired of the daily grind, so it didn’t take too much to get them on board [...] gave freely of their precious time and talents but most importantly believe in the cause.”

**Partners and ambassadors.** The last group of business partners is those who are commercially not connected to the companies, but they still have common activities with regular communication. These are partner brands, either from the same sector or from

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\(^\text{12}\) Information from http://www.lemon-aid.de/, retrieved the 6/07/2011
elsewhere, but we can mention here the brand ambassadors or other celebrities or groups of artists advocating the initiative (without compensation).

An interesting feature of all these organizations in our sample is that they all cooperate with each other, recognizing that they are not only “stronger together” (Quartiermeister), but also more visible. The fact that there are two beer producers in the group, does not harm the cooperation, partly because of the culture of Premium (they supported several other beer and soft drink brands in developing their businesses), partly because of the small market share and restricted geographical presence of both brands. Building on their similarities, the four producers organized a common picnic for example, on the Easter weekend of 2011 in Berlin, but they also appear together/at the same time and place at major events like the Karneval der Kulturen in June 2011. Taking informal meetings and ‘bumping into each other’ to a next level, they created recently the Fair Drink Producers’ Alliance13, even though it does not yet have a real activity, due to lack of capacities in the member companies.

Besides cooperating with each other, that is to say with immediate peers, Premium has a more extensive partner network of (similar) brands that they helped to create and some of which are their competitors nowadays, even if these might have a different business model. LemonAid has a network of partners from other sectors, typically fellow start-ups that they can share experience with. Although they also started discovering opportunities in cooperation with a big brand (Veltins), they explicit that they “would prefer to partner with the small ones”. More details and analysis on gains of partnerships are going to be provided in part 2.2.2./c.

**Beneficiaries and social mission.** Having gotten an overview of business-side stakeholders, we now shift our attention to those actors who help the four organizations achieve their social mission or increase their visibility in non-business ways. These are the beneficiaries, some foundations or other SEs that provide support in the social mission, but the media would fit in this group as well. These actors are generally further away from the day-to-day operations and due to their fundamentally different size and activity, they are also less involved in the network around the organization.

Beneficiaries (the groups of people that they are helping with their profit) are not integrated in the organization, both for geographical and social reasons. Although arguments for this were not given in the interviews nor are they known from other sources, we observe

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13 Verband korrekter Getränkehersteller
that keeping themselves ‘away’ structurally from the beneficiaries themselves, helps the SE organizations keep their free choice of projects or villages (not) supported, reduces the pressure of the decision and probably results in less interference with the local community. However, we also know that they do not separate completely, VcA and LemonAid does visit the field of their aid projects from time to time, but they still act more as a financer and not as a developer, even if VcA has somewhat closer relations to their field partner, WHH. Quartiermeister also makes an effort to build a local community of socially conscious residents keeping them informed about the projects in the same neighborhood.

The four initiatives have had different relations to foundations and consultants. While VcA and Quartiermeiser won awards with their social entrepreneurial activity and had access to a valuable network of professionals or other entrepreneurs, LemonAid and Premium could not benefit from these. Furthermore, VcA and Premium can also make use of various scientific research that got meanwhile interested in their business model, although this is not a tool that they could use in the everyday operations.

**Customers.** The last group of external stakeholders are customers, understood as private individuals who somehow got to know the brand and eventually decided to get involved in the initiative. A typical distinguishing feature of our four organizations and another practice taken from the not-for-profit sector is the easy entry and involvement into operations or even decisions, in other words becoming an internal stakeholder, as also indicated on Graph 2. Even if they do not volunteer, customers constitute an important source of information and innovation, thus they are often asked for their opinion on community websites or off-line events (all of the organizations confirmed to answer possibly all emails from consumers).

As we saw it earlier at the role of retailers, committed consumers are very important for these brands that have a very low marketing activity and who mostly rely on their subcultural base and word-of-mouth campaigns. Good examples of increasing customer involvement are the cells of Viva con Agua who attract many young people with their events and fresh, web based communication or the community management at Quartiermeister or Premium, with offline monthly meetings (which VcA has as well), responding to emails and encouraging customers to do more, bring their contacts, their ideas, or even become a ‘commercial partner’ or salesperson which is a higher responsibility upgrade of a brand advocate.

**Internal stakeholders.** This brings us already to the internal stakeholders, consisting of a very few employees, eventually board members or managers and a large number of
volunteers. Note, that the border of this group is quite vague: because of the high proportion of voluntary work or outsourced activities, it is not always evident to tell who is inside and who is outside. Although the organizations have a certain legal structure and we can tell who are the members or employees and who are not, the status of volunteers only depends on their personal level of involvement (see in further detail under the next subtitle below).

A related differentiating feature of the organizations studied with respect to traditional businesses is that they are partly consisting of enthusiastic but professionally ignorant, ‘unskilled’ people, typically members of their association or other participants. This is a characteristic, again, coming from the nonprofit sector, but in this case this is what makes the business run. At VcA, volunteers are managing events, setting up campaigns, operating websites, etc. while LemonAid and Quartiermeister need their help in the distribution and sales. The border between association and business enterprise is also a bit vague (in case both exist), as Jacob described:

“When I need some help for the business, I often ask people form the foundation, so some of them are also out on the field, going to bars.”

In part 2.2.2./a. we thus gained an overview of stakeholder relations around the four organizations we study. Quite in line with what we already learned about the importance of social mission over the product concept, we saw that activities related to production and logistics are indeed less of a concern, and many of these relations were chosen based on a few technical requirements or on an availability basis. Somewhat more important are the points of sales, where we already see a more conscious and consistent selection. This is also a point where we notice one of the specificities of these SE ventures: a remarkable part of their stakeholders were actually not selected but they joined, just like most of their business support providers, which does not only give these SE ventures freely available competences, but also strengthens the brand’s credibility and authenticity.

The network around our participants is also an excellent source of partnerships, where we observe that they are actively cooperating with each other or with further brands. However, the involvement into their ‘field activity’ that is supposed to realize their social objectives remains very low, just as it is the other way around, the supported community have little influence on the SE organization. More influence can have customers of their commercialized product, as they are generally very open to customer involvement and offer several
possibilities to become a volunteer or simply get an inside look into the organization’s life. This easy entry also means the boundaries between internal and external stakeholders are somewhat blurred.

**b) Roles and involvement: collaborative strategies**

Having mapped the stakeholder networks and seen some of the distinguishing features of our examples, as a next step, we are going to use a process approach to analyze stakeholder involvement in specific situations, like decision making, setting strategic directions or innovation.

As illustrated on numerous examples, the network-like structure we find at these examples supports stakeholder participation and offers a cheap way of expanding both business and social activity. An extreme case of this model is Premium, which, by including all external stakeholders in the collective, grows without investment or actual organizational extension with some capacity constraint on the level of coordination. Similarly, Quartiermeister and (partly) VcA rely on a cell structure in their expansion and for the sake of this low-cost/high-visibility advantage they too have an unusually open structure that allows anyone to participate who wishes to do so. Both of them have regular community meetings in local pubs or other venues where consumers or potential partners can meet them. As Jacob added, they even invite the local VcA cell too.

LemonAid relies on traditional, centralized power and operations but still with openness to external actors’ contribution or opinion – in line with mainstream start-up practices in the ‘facebook age’. Nonetheless, we could also see it above, that not all stakeholders are part of this network, which includes mostly individuals or small organizations with similar values. Most notably, beneficiary communities or bigger entities are either completely left out or are less involved in the daily life.

In terms of decision making, the models vary in several factors. Viva con Agua has two major stakeholder groups that it involves in this process, the local cells and the field partner NGO, Welthungerhilfe. This latter has a role in the selection of development projects, while the cells have some discretion with respect to local events. They replicate the original idea and they act in accordance with the headquarter in Hamburg, Sankt Pauli, but they build up their own network and have also some space to realize their own ideas.

Nonetheless, this latter role remains small, in reality the activities in different German cities are very similar (fund collection at parties, concerts, exhibitions, organizing sport
events, etc). This is attributable to the fact that VcA is by now a relatively large structure, consisting of three entities, making special efforts to develop the brand. Because of the complex structure and according to the German law, each entity has different governing bodies, thus the role of the founder, Benny Adrion is by now more focused on visibility and extending the network and he does not have a formal decision making role in the VcA association any more. Thus, we could say that in the VcA group, management is centralized, but personally diverse.

In the case of Quartiermeister, we find the ‘dual structure’ of business and association, operated mostly by volunteers, who, as we saw, don’t necessarily have a fixed role in either of them. Business decisions are still taken exclusively by Sebastian Jacob (although he set out to expand the structure into a small company), while the funds are distributed by the association, which has a collective decision making procedure based on working groups. Given that the members of the association are people, who were already previously personally connected to Jacob, hence working for free, here we observe that the social activity itself is managed by people who are nothing but committed to the case. Furthermore, this is also an open structure, where consumers have the possibility to become a volunteer and/or member of the association thus they can also participate in decisions.

The Premium collective, as it has been mentioned several times, makes business decisions by involving everyone from producer to customer, although those who finally get involved are those who are more committed or simply more affected through their day-to-day operations. Communication and decision making processes of this organization have been studied in several master and Phd theses, something that Uwe Lübbermann also referred to when he explained, that:

“People prefer to dispute things that are close to their field. Wholesalers would join at sales topics, transporters at transport and consumers when we talk about the website, a new product, a campaign...”

This involvement mostly happens on their mailing list (where even partner brands can be subscribed), but some bigger decisions are taken on a yearly meeting. Following the discussion, they decide on a consensual basis, thus they argue until everyone agrees. As he said, it only happened once that a decision could not be taken between two possible options, when they decided not to choose any of them.
In terms of strategic guidelines and innovation, we can partly apply the scheme of decision-making, but here we also have a few more stakeholders to consider. One of the interesting points here is the role of volunteers, who can easily enter and nurture the organization with their ideas. As Jacob tells us, the association of Quartiermeister operates as a “trink tank”, it is currently their task to make development plans, reflect on possible directions or new locations. Of course, we need to note that volunteers are currently the whole staff of the firm, and if it evolves into a company with paid employees (which would be the goal), the role of volunteers will decrease significantly and the entry barrier might also raise. Nonetheless, based on their principle “anyone should work with us who wants to work with us”, it is quite likely that volunteers would still have an important role in product development or innovation.

**c) The gain of stakeholder relationships: competencies and learning**

From all those observations that we made so far, it is straightforward to say that stakeholders provide several important competencies, mostly voluntarily to our sample organizations that would be otherwise hard to produce or too expensive to get from the market. On the other hand, we also saw that most of these stakeholders were not selected in some kind of competition or by any comprehensive method, but they either joined or were chosen on an availability basis. Besides the advantage of being very cheap, this also means that the use of certain competencies (no matter if they have a strategic importance or not) depends on the availability of free providers.

We could also say that this presents a growth constraint to these businesses, but this is not necessarily a disadvantage: as they lack both capacity and expertise, thus they seem to be more consciously following an organic growth strategy in this initial phase. This argument is supported by Quartiermeister often mentioning capacity constraints in terms of extending their sales network or building closer relationships to partners, or LemonAid telling their story about being a newcomer:

“We asked everyone basically, as we were relatively new to the field. [...] We only had information that we searched for ourselves.”

Despite this somewhat coincidental evolution of their network, the resources and competencies provided by stakeholders, both from inside and (mostly) form outside, do have common elements. The typical resources mentioned by the interviewees that they made great use of, were different networks that they gained access to (e.g. distributors’ clientele,
networks around the social project supported), a new customer base or outreach (e.g. regular customers of a bar or supermarket) and access to the public, that is visibility (e.g. through media, celebrities or bigger partner brands).

The competencies are somewhat similar: communication skills (e.g. intraorganizational communication in the case of Premium, marketing for LemonAid in the form of visuals, and PR through spokespeople), congeniality (mentioned by Quartiermeister as the most important skill of their salespeople), experience (e.g. of other entrepreneurs or the field knowledge of the partner NGOs) and finally know-how or expertise (e.g. technology, tax rules, distribution, logistics...).

Given that these organizations are very small and they do not integrate many functions that are usual in traditional firms, know-how is one of the most important and often mentioned factors. This is also one of those that they do not seem to internalize, since they can easily rely on their partners that they would need to work with anyways, due to capacity constraints. Sebastian Jacob summarized it well, although this seems to be a guiding principle for the others as well:

“The good thing in Quartiermeister is that we work with available competencies, everyone does what they can do best.”

Besides this one, relying on the experience, network or visibility of public figures are also likely to remain ‘externally sourced’ competencies, while communication and sales skills, as well as media contacts are more probable to get internalized. This means, that these small, almost virtual firms (where VcA is not to be included) have only kept the brand management and communication functions inside and they rely on their partners with respect to all the other parts. Consequently, they have little control over the value chain and they might not have too many possibilities to switch to new partners (unless they show up by themselves), which makes them relatively exposed to these forces. Of course, this does not seem to be a danger now, as these relationships are managed in a familial, informal way, and Premium actually provides an example how this business model can be made sustainable through a network of trust and through common decisions.

This leads us to make a few points on how these initiatives achieve learning. The examples studied are quite different with this respect, or at least in what they perceive as their usual way of learning. Quartiermeister for example mentioned a few inspiring meetings with more
experienced social entrepreneurs, one of which\textsuperscript{14} gave quite a few advices on organizational development. Premium sees the main points of learning in acquiring new knowledge, skills and expertise, while LemonAid confessed to have relied mostly on trial-and-error, they just tried new solutions based on the limited information they had and corrected if it did not work.

The question can be raised if learning occurs on an organizational or individual level, but in these small, very informal and flexible organizations this distinction is not evident. The processes mentioned here mostly reflect the individual perspective of the founders, and we could not trace any organizational or strategic change that would have occurred as a result of some learning. However, we can still identify a managerial learning curve in the slow growth and gradual competency building of these organisations, best illustrated by Quartiermeister, which is the the youngest among them.

To sum up our observations in part 2.2.2., we rely on the short summary given at the end of its 2.2.2./a part, illustrating how the social mission helps these organizations to build a reliable retail network or get business services for free. Later on we could also see, that these initiatives are open to cooperation with a wide range of actors, but in practice they prefer to cooperate with peer brands and it is mostly like-minded customers (or other stakeholders) who get more involved in the decision making process or join the organization as a volunteer. They do not integrate actors who are geographically or socially too far away (like the beneficiary group), nor do they have strong relationships to bigger firms, like their producer.

Although the network of volunteers and committed customers is important for these ventures even in terms of strategy or innovation, their learning experiences are more related to experts or members of the supply chain with respect to business or field knowledge. Key resources and competencies are also more linked to these groups, completed by those who bring them visibility, like celebrities, PR agencies or the media. We also highlighted that the organizations do not seem to internalize many of these resources and competencies listed, probably for capacity reasons, which preserves the high reliance on networks and stakeholder commitment.

\textsuperscript{14} Norbert Kunz, manager of iq-consult, a social entrepreneurship consultancy in Berlin, himself an Ashoka fellow
2.2.3. Success factors and scaling strategies

Competencies and learning naturally lead us to the question, which are those factors that mostly contributed to the success of these organizations, that have the most important role in their growth. In order not to extend our query into fields that cannot be covered in this research, the interviewees were not asked to define what success meant for them, nor if they have some notion of success with respect to their social projects, thus the responses might have a slightly different point of view.

Nonetheless, it is sure that commercial success and social impact are strongly correlated in all of the cases: not only are Quartiermeister and LemonAid getting aid money from profit redistribution, but even VcA applies commercial communication and distribution technics when expanding their presence to different events and organizing new ones. What’s more, it is not only social impact that depends on the growth of the business, but this latter is also nurtured by the visibility of the ‘good cause’ and follows nonprofit examples when using cells and enthusiasts to expand.

In this mindset, it is interesting to see that each of the three interviewees considered something else to be the most important factor. Quartiermeister linked the question to their most acute problem by mentioning visibility and increased media attention on the first place, but he also emphasized the importance of the team, as well as perseverance and the belief in yourself. LemonAid was clearly focusing on business success when pointed out the high standards, clear vision and their no-compromise approach – next to the good team, that appears here as well. Finally, Premium’s answer reflected their business model, as here good verbal and written communication as well as the ability to learn was considered to be crucial.

To this list we can add a few factors that follow from our analysis above or from other remarks of the interviewees. All of these organizations are selling standard products that are easy to understand and good to consume with friends. Their communication and visual appearance is close to young people (reinforced by extensive social media usage), which they are able to combine with good promotion, that is to say they sell at places and events frequented by this target group. Selling their ideas efficiently is even more of a crucial point if we consider that they rely heavily on volunteers, brand advocates and experts offering free consultancy or other service just for the case. As Jacob put it: “The good thing in such a start-up that has kind of an interesting idea behind, is that we make friends very easily.”
Key learnings and conclusion

The empirical research presented above provides a rich material on the evolution and stakeholder relationships of four German SE, or near-SE ventures of diverse age, size and business model. One of our key observations was their reliance on embedded, local networks that they make use of in several dimensions: reducing costs and ‘gluing’ members of the supply chain, gaining impetus through volunteers and gaining visibility. Financial resources being one the most important constraint to them, they save money on working with a large number of volunteers and relying on the help of experts who offer their services for free. However, it is not only support providers and consumers who join by themselves, but also other actors along the supply chain, that gives a consistency to their distribution network. Gaining impetus and visibility refers to a few more key contributions of stakeholders: innovative competencies and widely known names or brands.

As a further point on the role of networks, we highlighted that these also serve as a growth model for three of our participants, who prefer to delegate much of the control and responsibility to local cells (or other members of the collective at Premium). This strengthens another key, albeit more ambiguous phenomenon, the reliance on external competencies, that preserves the network structure until the organization decides to internalize them. In terms of competencies, however, we did not detect signs of complementarities that would induce benefits for the external contributor too (besides reputation and personal ambitions).

Linking our results to the theoretical basis we outlined in Part 1., first of all we face the difficulty that most of the information we have is about these initiatives’ commercial activity: the founders of all of these SE ventures have their role in managing the business, so that the organization has enough funds to redistribute to the subsidized community. As we saw, this latter remains a separate group and does not interfere with the SE organization itself, which delegated field work or the realization of their program to someone else. Hence, all we know about how they would scale up their social impact, is that they need to increase the available funds through their commercial activity, while remaining consistent with their values.

Nonetheless, besides linking social impact to business success, we also see that the network and involvement based structure outlined above means that they make use of a
nonprofit growth model in their business activity. Thus, it does makes sense to say, that, just as we saw in Part 1., they need a replicable activity that they can export to other cities and build it up with the help of local individuals. In these cases it works out easily, since their activity is not very complicated. On the other hand, the drivers of growth are slightly different from what we see in the literature, as they result partly from the logic of a growing business: commitment to quality and good communication arose as success factors from our research, but clearly, networking is one of them, too.

Referring to the literature on stakeholder relationships, we can again reveal a difference between usual SEs that work closely with the beneficiary group, and our examples that are exploiting the benefits of social embeddedness in their home country. However, their logic corresponds to what we saw at the end of part 1.2.2: the two start-ups rely on their identity networks with close social ties and other actors adhering to the cause, more or less determining the available support and competencies, while the two bigger ones are more and more focused on specific benefits. As we saw, gaining know-how and building trust are essential in all of these networks, and we see the added value of the present study in tracing questions of involvement and consumer participation.

Finally, we would like to propose a few directions for future research that arise from this paper. First of all, this investigation could be completed by a comparative study of stakeholder involvement in younger and more mature organizations, by either repeating the current research on the same sample a few years later, or by comparing it to other, similarly participative organizations. In a longitudinal study, it would be also interesting to observe, how the cooperation between brands (and particularly between competitors) evolves over time. Even if we remain at a one-shot, cross-sectional analysis, further perspectives could have been used, too: by including partners and other stakeholders to the sample, we could gain a deeper insight into reasons and drivers behind the phenomena we observed, such as the weak relationships to the organizations’ aid projects, or questions such as complementary competencies.

These are all questions little covered by the literature, especially among European social entrepreneurial organizations and that may provide not only new insight into the perspectives of SE in our continent, but also into innovative ways of enterprising for market-oriented companies.
References


Appendix

Interview guide

I. Introduction

[Present the project, the interviewer and the goal of the interview, assure privacy, etc]

II. Mission

[Optional] Like I just mentioned social entrepreneurship, do you consider [the organization] as a social entrepreneurial venture? Why (not)? [Alternatively] Do you consider yourself as a social entrepreneur?

Why did you choose this activity/mission and not another?

III. History

As I could learn it from your website, [the organization] is already [...] years old. Could you tell me a bit more about the history?

Did you always have the same activity? Why did you go into that direction?

Did you consider other activities? Why did you decide not to do it?

Do you think that it was the right decision? How do you evaluate what you achieved?

Success factors and evolution

What do you think mostly contributed to your success? Why?

Did your personal/professional background play a role?

Do you think you grew in the right pace? Could it have been slower? Faster? Do you see the reasons why it was not like that?

Did you get a sizeable financial support that contributed to your growth? When was it? Was it the right timing?

Was this development planned? If yes, did it happen as planned?
IV. Stakeholders

Mapping

Now I would like to ask a few questions about your stakeholders and partners: what kind of relationships [the organization] has to your producer, retailers, other companies...

What do you think are the most important ones for [org.]?

Which are those that you cooperate the most often? How? Why with them?

Could you give me an example, how do you actually work together? Do you have personal meetings for example?

Did you choose these partners? Why them and not another one?

How would you describe your partnership? What are the most important gains? Are there any limitations? (Why?)

Did this partner or stakeholder structure change during your history? How? (Why?)

Did the way of cooperation change with those who have been around for a longer time?

Target group

[Refer to what the organization is doing and with whom] ...with respect to this beneficiary group, how do you stay in touch with them?

[F Further questions on feedbacks and influences is applicable]

Learning

If you think of the other actors that you are in touch with (partners or not), do you think they affect your organization? How? Could you tell me an example? etc.

What did you learn from them? Was it intentional or just happened?

Do you think that you also have an effect on their operation?

V. Closing

Finally, I would like to ask you to tell a bit about how you see the future of the organization.

Are you planning some changes in your operation, organization or other aspects?

What kind of risk do you see for [the organization]? Do you think you have the means to manage these?