
Successful Social Enterprises navigate the complexity of collaboration

Working together with different partners
and participation mechanisms for strategy
setting and strategy execution



The success factors of Social Enterprises

This publication builds on last years' PwC publication on the success factors of Social Enterprises¹. Both publications use the same definition of 'success'. Social Enterprises deal with a multidimensional definition of success as they put their social mission first, followed by financial objectives. Bagnoli & Megali² define three factors of success for a Social Enterprise: (1) social success, (2) financial success, and (3) institutional legitimacy (trust).



Social success

Social effectiveness expresses the Social Enterprise's ability to realise its social mission. This entails the quantity and quality of work, and the impact on the beneficiaries and the community. Based on scientific research, the KPIs used for this success factor are: the level of sustainability of the procurement policy, the reach of the products and services, and the effect on the wellbeing of the stakeholders and beneficiaries.



Financial success

Economic-financial performance is linked to the traditional business performance such as profits and value added. Based on scientific research, the KPIs used for this success factor are: financial flexibility (to what extent is the Social Enterprise able to survive or has it survived crises in the past) and the level of income and profitability.



Trust

Trust refers to the way the Social Enterprise is perceived by others: is it a trustworthy institute in the eyes of others? Based on scientific research, the KPIs used for this success factor are: the level of awareness that the Social Enterprise creates of the issue or problem it addresses, and the level of satisfaction stakeholders and beneficiaries experience in interacting with the Social Enterprise and its products or services.

Stakeholders or partners?

In management literature, the research domain we first zoomed in on is called 'Stakeholder Management'. We quickly discovered, however, that this term is much too traditional for the world of Social Enterprises. We switched from Stakeholder Management to Stakeholder Engagement for the survey, only to find that the Social Enterprises' responses to the survey showed that we still approached the subject too much from a classical business perspective. A Social Enterprise's way of working, being embedded in ecosystems, is characterised by collaboration over competition. Other actors are not 'stakeholders' to be 'managed', but rather potential partners for collaboration. From here on out, we will use the term 'partners' instead of 'stakeholders'.

Differentiate between partners and participation mechanisms for strategy setting and strategy execution

Working together with partners and making them part of the transformation journey is essential for the success of a Social Enterprise. However, not all partners in the ecosystem are equal. To make a real impact, a Social Enterprise must carefully choose who to work with, and for what activities. With this publication, which is the result of the joint research between Nyenrode Business University and PwC, we want to help Social Enterprises make sense of the world of partner collaboration and use it effectively to move further towards realising their purpose.

Strategic planning asks of Social Enterprises that they make a distinction between an 'inner circle' of co-creators who directly work together intensively (high level of engagement) and an 'outer circle' of other partners who work together

"We do not use the word stakeholders, we see everyone as potential partners."

Emma Lok, OneWorld

on a lower level of engagement. Our research shows that the collaboration with co-creators should primarily focus on the strategic goals for the coming years, see figure 1.

Our research also shows that to execute the strategy, a Social Enterprise should include a broad range of partners in the decision-making processes, see figure 1. Different strategic goals (social, financial, trust) require different participation mechanisms. Key partners should be invited to participate directly in relevant decisions. A good example of this is Triodos Bank, which regularly holds stakeholder meetings to align all parties on the bank's objectives. The social mission is what connects them.³ Maintaining an open and transparent relationship with many partners will improve social success.

Strategy Setting

Strategy Execution



Figure 1: Five lessons on partner collaboration for Social Enterprises

Become co-creators through intensive collaboration with partners

Social Enterprises come in all sizes and shapes, and each of them with their own specific mission. The strategic plan sets out: how to act on this mission, in which timeframe, who to work together with and what the business model looks like.

Put co-creation at the heart of the business model to make a real impact

The business model is the way an organisation creates and captures value.⁴ To make a real impact and be more successful, a Social Enterprise develops partnerships that go beyond the traditional company boundaries, creating and capturing value together. The partners seek further synergies in their collaboration and become co-creators for a product or service.⁵ AutiTalent explained that influence from partners resulted in modification of the business model.⁶

The ‘co-creator’ is a role that one or a few of the Social Enterprise’s partners can fulfil. As the collaboration with a partner is strengthened, the partner gets more involved in the way value is created and captured, and becomes a co-creator. A Social Enterprise needs to distinguish between partners it wants to work together with

“We have a mixture of partners. One partner we use solely for realizing profits or solely for reaching our social mission, while we also have partners who we engage for both of our goals.”

Rob Jansen, Chain Logistics

intensively (an inner circle of co-creators) and its other partners, see figure 2.

Focus collaboration efforts on strategic priorities

So how do you choose your co-creators? Our research shows that you should start with the strategic goals for the next several years, to build and grow towards the social mission. The goals vary for every Social Enterprise, ranging from creating awareness in society to becoming financially self-sustaining. These are the topics you want to work together on. Find partners that help you hit the ground running and get a head start. This also means that co-creators might change over time.

Note that a business strategy is not just a paper exercise, it is about how you put it into practice. Engaging with partners must go from plans to work processes and everyday actions. Our research shows that successful Social Enterprise defined a clear role and way of working for partner collaboration, and monitor, evaluate and improve these activities regularly to reach the desired result.

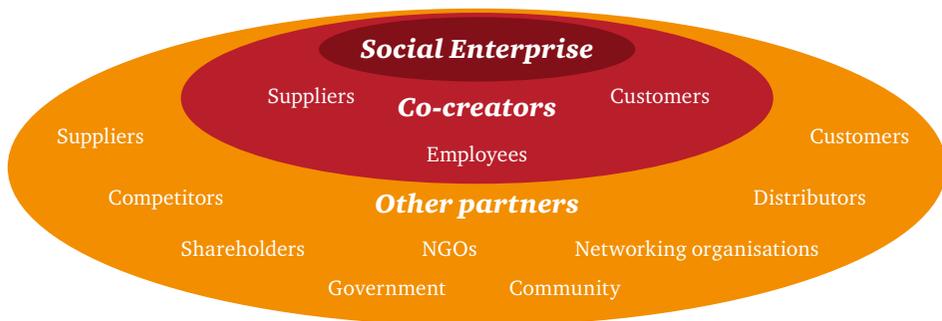


Figure 2: An inner circle of co-creators, and an outer circle of other partners

Participatory decision making drives successful strategy execution

To act upon a strategic roadmap requires strong governance. A defining aspect of Social Enterprises is inclusive governance: the use of open, inclusive and participatory decision making. While strategy setting requires close co-operation with specific partners (the co-creators), inclusive governance asks for a broader approach, involving all partners.

Strategic goals ask for specific participation mechanisms

There are three different participation mechanisms, and they have different relations to the success of a Social Enterprise. Firstly, participation can be formalised, laid down by law or part of the Social Enterprise's own rules, or it can be informal when such rules are absent. Secondly, partners can participate in decision making on a regular basis, or more ad-hoc, between the decision-maker and a partner. Finally, there is direct participation when partners are directly involved in decision making, or indirect participation when the partner is represented by another person.⁶

Our research shows that decisions related to social goals ask for informal and ad-hoc participation. On the other hand, goals related to trust, and to a lesser extent profitability, benefit from a more formalised and regular approach. This can be the same partner participating, but using other mechanisms for different goals. Inviting certain partners to directly take part in decision making will benefit specific success factors (see table 1). As there is only limited space at the table, it

“Our organization pays special attention to the communication of decisions and the underlying motives to our stakeholders, because we feel responsible for the community in general and in specific our direct stakeholders. We assume that a better understanding results in better collaboration.”

Hans van Beek, UB Groep

makes sense that you don't invite all partners to participate directly and you make the right choice when to involve a certain partner.

Use input and be transparent to advance social goals

In addition to the specifics of participation mechanisms, making decisions based on the input from partners and being transparent about the content and results contribute positively to the social success of the Social Enterprise. Our research shows that this is particularly the case for input from suppliers, influential indirect stakeholders⁸ and networking organisations. Weigh in what they bring, and make decisions based on the voice of your partners. For example, AutiTalent aims to be present in public meetings related to its social goal. Experiences from this informal dialogue are used in decision making.⁶

The next step is to explain what decisions have been made. It is easy to imagine partners feel more engaged when they receive feedback on how their input was used, and what decisions were made. Our research shows that providing feedback to customers, employees and suppliers is key, since they are most directly involved in realising the organisation's purpose.

Social	Financial	Trust
Informal	Formal	Formal
Ad-hoc	Regular	Regular
Direct: co-creators	Direct: shareholders	Direct: co-creators and suppliers

Table 1: Goals for different success factors require different participation mechanisms

Collaboration PwC and Nyenrode Business University

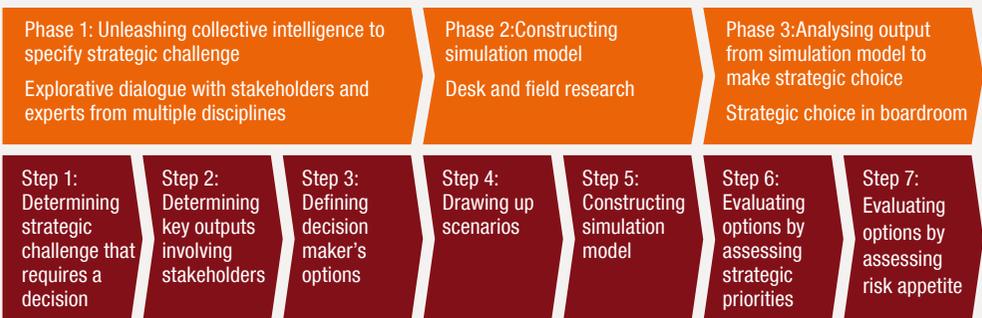
PwC sees the rise of Social Entrepreneurship as an important development. That is why we want to use our expertise and skills to help professionalize this sector, and in doing so, increase the impact of Social Enterprises. This research follows on last year's publication on the success factors of Social Enterprises by PwC, in collaboration with Nyenrode Business University and Social Enterprise NL. This year, PwC and Nyenrode Business University joined forces again to investigate one element of the operating model (stakeholder engagement) and investigate how to organise this most effectively to increase the success of Social Enterprises.

At PwC in the Netherlands over 4,300 people work together from 12 offices. PwC Netherlands helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 184,000 people. We're committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.nl.

The Business Simulator

In the current business environment, the growing importance of aspects beyond profit forces decision makers to ask questions like: How can I create value for my organisation and its partners? How can I compare the financial and non-financial impact of my decisions? The Business Simulator for strategic decision making is an innovative approach that can help Social Enterprises measure the impact of changes in the operating model on financial and non-financial success factors.

The decision making process, comprises a seven-step approach broken down in three phases:



Using the Business Simulator has multiple benefits:

- **Integrated:** Financial and non-financial aspects are quantified
- **Data scientific:** Interdependencies are underpinned by simulation and extensive desk research
- **Easily understandable:** Business dynamics are made transparent
- **Well documented:** Each step of the process is documented
- **Interactive:** Dialogue is an essential part of the process.

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8. Influential indirect stakeholders: Stakeholders who have no direct impact now, but who are affected by the organisation's efforts or who could influence their success. This may be a person who has influence in the social environment where the Social Entrepreneur operates, and can help build new relationships

Summary

This publication lays out a two-step approach to partner collaboration. Strategy setting is about differentiating between co-creators and other partners, and choosing specific strategic topics on which to collaborate. Strategy execution is about who to involve in decision-making, and how they are invited to participate.

PwC helps Social Enterprises to transform, to enable them to move towards their purpose and increase their impact. We help bring consistency and structure in the many different components of the Operating Model, and make the Social Enterprise fit for growth.

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