

How Social Entrepreneurs Create Systemic Change



A Comparative Analysis of for-Profit and Nonprofit Models

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1 Introduction

Over the past 20 years, there has been a growing global trend in the promotion of social businesses as key leverage to advance sustainable development. Here, we refer to social business as a particular type of social enterprise: a hybrid organization, typically set up as a for-profit organization, which pursues a social mission and runs

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a business simultaneously to support such a mission.¹ An example of this global trend is the exponential growth of the B Corp movement, revealing that, every year, an increasing number of entrepreneurs from all over the world decide to give a social imprint to their ventures. In 2020, there were 560 certified B Corps in Europe, almost double that of the previous year. Another example is the rise of Impact Investment, which is becoming mainstream globally. According to the Global Impact Investing Network, the global impact investing market will reach \$715 billion in 2021 and continue to grow rapidly. Key players such as financial institutions, universities, and public administrations are giving increasing recognition and legitimacy to social business: the ESG movement has pushed corporations to partner with social businesses and learn from their philosophy, the United Nations Development Goals is motivating businesses to simultaneously pursue profits and the world's most pressing problems, and universities and business schools around the globe are offering training programs with a focus on social and environmental challenges.

The fact that social business is going mainstream globally also means a migration of symbolic value from the entrepreneur to the investor and from the idea to the capital. While social businesses are gaining relevance and legitimacy at different levels and in different sectors, organizations in the social impact arena that do not have a clear source of revenue—such as pure nonprofit organizations—are not given the same importance and recognition. This difference is not supported by evidence that nonprofit organizations are less effective at addressing large-scale social problems and generating impact at a systemic level. If public and private key decision-makers, such as governments and investors, fail to recognize nonprofits as relevant and legitimate, just as they are doing with social businesses, the most compelling problems of our society may never be solved.

The literature states that social enterprises, including social businesses and nonprofit organizations, typically step in when public and private actors fail to provide long-term solutions to a social problem.² In doing so, social enterprises often break conventions, span sectoral boundaries, and conduct experiments using different ways of organizing and managing. The ultimate goal is triggering catalytic or systemic change.³

EADA Business School and Ashoka Spain decided to collaborate in order to investigate systemic change empirically and gain a better understanding of how the two organizational forms—*for-profit* (FP) and *nonprofit* (NP)—deploy their resources and capabilities to achieve systemic change. The current debate allows for the isolation of the potential elements of such change—including the capability

¹Battilana and Lee (2014), pp. 397–441.

²Battilana and Dorado (2010), pp. 1419–1440.

³Mair et al. (2012), pp. 353–373.

to generate a cognitive shift, its embeddedness, and the replicability of solutions—and explores how the elements develop in different ways in FPs and NPs.^{4, 5}

Hence, the specific research questions of this study are as follows: How do FP and NP social enterprises generate large-scale, long-term social impacts? Is there any difference between the two models in terms of their capacities and mechanisms employed to generate systemic change?

We conducted ten preliminary interviews with academic and sector experts to fine-tune the research method and viability of the study. Next, we selected five matched couples of social enterprises in the education, healthcare, and environmental sectors in two countries (India and Brazil) and compared them in terms of FP and NP models, as well as other characteristics that emerged related to systemic change. As an example, a couple of Indian social enterprises in the environmental sector include Flashgarden⁶ (which adopts an FP model to create forests in cities) and Develop Rural (an NP social enterprise promoting organic farming and rural development). Data were collected through interviews and archival documents. Such empirical evidence is the basis for the conclusions presented in this chapter.

First, the core of the study tackles the current debate in research and practice regarding the primacy of FP vs. NP models. We intend to clarify this distinction and, most importantly, empirically assess the association between these two alternative models and the achievement of systemic change.

Second, we intend to isolate the mechanisms through which FP and NP SEs create systemic changes. We will compile and explore a list of attributes, including the individual characteristics of the entrepreneur, stakeholder management, source and application of technical know-how, embeddedness in local communities, and community empowerment. Social enterprises alone cannot generate and sustain systemic change, but they fulfill their mission by connecting with a variety of actors. Therefore, we adopted an ecosystem perspective and explored the connections between social enterprises and their key stakeholders.

2 Meaning and Scope of Systemic Change

Systemic change is related to other concepts that have become popular and, hence, are familiar both in the academic field and across practitioners; however, these concepts need to be further explored to gain a more fine-grained understanding and bring upon an organized research agenda. In particular, three concepts related to

⁴WEF (2017) Beyond Organizational Scale: How Social Entrepreneurs Create Systems Change. <https://www.weforum.org/reports/beyond-organizational-scale-how-social-entrepreneurs-create-systems-change>. Accessed on 05 March 2022.

⁵Seelos and Mair (2018), pp. 35–41.

⁶All names of organizations and persons have been anonymized.

systemic change appeared to be relevant in our interviews and need to be explained further: *cognitive shift*, *embeddedness*, and *replicability*.

2.1 Cognitive Shift

Systemic changes are typically associated with cognitive shifts. However, it is unclear when and how this shift occurred. From our interviews, it became apparent that cognitive shift occurred in the initial phases of the implementation of the social entrepreneur's project. Specifically, the people that the social entrepreneur involved in the project begin to shape the entrepreneurial idea, as conceptualized by the entrepreneur. The shift occurs when people involved in the enterprise solve a specific problem by changing the interpersonal dynamics that are typically put in place to solve that problem. By realizing that a problem traditionally solved in one way can also be solved differently with the dynamics that they are producing, a cognitive shift can be produced. Unlike previous definitions, our findings suggest that cognitive shift refers not to a change in a stereotype or a new way to perceive a problem but rather to a change in *how* the problem is solved, that is, the configuration of the actors and the actions that the actors put in place to solve a problem. This new perspective leads to a change in the stereotype (if present) or how the problem is perceived.

One example is provided by Michael Kurtz, founder of Community Mind, a charitable trust based in Kerala that provides "good quality, comprehensive, mental care to the poorest sections of the population with severe mental disorders. It is entirely based on the community with no provision for hospital admission, and people are selected based on the process of economic screening. All community services are provided in collaboration with like-minded local partners, which makes it possible to offer services free at the point of delivery of care." When Michael Kurtz involved the community of volunteers in Kozhikode in his project, he asked them to help address severe mental disorders *not* by hospitalizing people, having them treated by psychiatrists in a formally recognized health institution or giving them drugs (the traditional way to solve the problem of severe mental disorder), but by training community members to rehabilitate the person with the disorder, to support their family, and ultimately to provide the person with peer support.

While Michael could not anticipate the cognitive shift his enterprise would have produced, the enactment of his idea (rehabilitating, supporting families, and peer support from the community) by the members of the community convinced them and Michael himself that severe mental disorders could be solved by reorganizing the actors involved in the treatment. The cognitive shift occurs with implementation: the vision of the entrepreneur became effective when the community members, the people treated, and their families understood that there was another way of treating a mental condition. Hence, the cognitive shift referred not to a direct change in how mental disorders are perceived but rather to how a specific set of actors—in this case, a community of volunteers—can reorganize themselves to provide a complete and effective solution to mental disorders. While the implication is a change in how

mental disorders are perceived, the difference is important because the effort of social entrepreneurs does not lie in persuading others that the definition of a problem must change (i.e., people with mental disorders are not patients to be treated with medicines but elements of a community) but rather in helping the community find the appropriate configuration to solve the problem. This requires the community to “accept” the social enterprise by experiencing that it can work.

The Ana Bella Foundation, based in Spain, is a clear example of this cognitive shift: the foundation empowers women who suffered from abusive relationships to become “super-vivors” and not just survivors. The assumption, and the basis for the cognitive shift, is that a woman who overcomes such an experience is not a victim but rather a hero who has developed rare and extremely valuable skills. This is why the foundation helps these women find leadership positions in their workplace.

The difference between FPs and NPs when it comes to cognitive shift pertains to its boundaries: in an FP social enterprise, the scope of the change is predefined; the entrepreneurs know clearly the change they want to put forward and present it (in the form of a business model). Instead, for an NP social enterprise, the change is emergent and cannot be *ex ante* presented in a business model because the type of relations that it requires will emerge *after* the community members undertake the process of experimenting with the value proposition of social entrepreneurs. Necessarily, in an NP, the shift will be much more engrained than in an FP because it will be the result of the cognitive and practical effort of the community members involved in the entrepreneurial action.

In sum:

- The idea of cognitive shift was already present, but it referred to a change in a stereotype rather than in *how* actors are configured to solve a problem.
- We understand that cognitive shift emerges once the idea of the entrepreneur is enacted by community members because it is the actual making and acting that persuades stakeholders that the idea can work. This was a cognitive shift.

2.2 *Embeddedness*

The second concept associated with systemic change is embeddedness, which refers to the extent to which the solution proposed by the social entrepreneur becomes part of the sociocultural fabric (social norms, goals, and values) of the community where it is established. It became evident in our research that embeddedness is also a precondition for systemic change to occur in the case of NP social enterprises, and we observed that the actual cognitive shift mentioned in the previous section is produced if there is an existing set of rules shared by a community. In other words, because social problems are always contextual, solutions proposed by social entrepreneurs should also be contextual. The geography, culture, and people of an area are the ones that will be involved in the solution of the problem and in producing systemic change. For the cognitive shift to occur, the members of the community

where the project is implemented must share social norms, goals, and values. In the absence of shared norms and values, it is difficult for social entrepreneurs to activate the process that triggers systemic change.

One example is provided by Marc Blum, founder of Develop Rural in northeast India, which facilitates the transformation of agricultural practices from chemical to organic production by training “small and marginalized farmers to develop their homestead gardens into organic nutrition gardens with local nutraceutical plants, herbs, fruits, and vegetables, ensuring nutrition security and sustainable livelihood development.” Instead of hiring graduates in organic farming from diverse locations, Marc chose to train small and marginalized farmers. The fact that they are small and marginalized characterizes the type of social norms, goals, and values they shared. For example, their small size renders them powerless to negotiate with retailers, and their marginalized position limits their ability to be influential in offering a specific type of product, different from the mass market type of production. Hence, these small and marginalized farmers share the same problems, experiences, values, and acrimony to some extent. Marc built on these problems, experiences, values, and acrimonies to create a community that fosters organic farming. Had the farmers not experienced the same problems, they would have not been sensitive to the project proposed by Marc. Their common understanding of the contextual situation in the northeast Indian agricultural sector was the basis for the creation of Marc’s project.

As previously stated, an important assumption in this view of systemic change is that problems are always contextual. Hence, the solutions should also be contextual (i.e., embedded). If the problem is embedded, the solution proposed by the social entrepreneur is more likely to become embedded too because it is produced by the same actors using the same norms, goals, and values considered relevant before the solution had been proposed.

In FP social enterprises, embeddedness is present (more than in traditional businesses), but it is somehow “imposed” by the entrepreneur: the existence of a market is a precondition, and the choice to adopt the solution is made by a customer and not integrated into a community. In NPs, embeddedness is the key as the solution is the result of the conceptualization of stakeholders present at a specific moment and in a specific sociocultural context.

In sum:

- While it is known that solutions must become embedded, our study revealed that problems must also be embedded in a community, and such embeddedness creates an opportunity for systemic change.

2.3 *Replicability*

The third and last concept associated with systemic change is replicability, which is the ability of a social enterprise to grow in impact. Replicability is different from scalability in that it does not require the same organization to grow larger but focuses

instead on the positive social and environmental impacts that the organization can produce. A social enterprise has replicability if it can be replicated in other areas and situations. However, according to our study, the relationships among stakeholders are replicated to produce a specific change. Organizations involved in replication do not scale a product but knit relationships to produce a change.

In the case of Community Mind in India, Michael Kurtz offers many insights into how replicability works. He started with a staff of two in Kerala, and then after understanding the local social norms by studying the community movements of the area (refer to the previous section on embeddedness), he decided to find local partners and establish a highly decentralized model. The Community Mind currently has a staff of 40 and seven independent clinics created across India.

If we look at how Michael has changed relationships to produce systemic change, we can see two major efforts. The first one is a very evident, direct effort; he chose to train the community members and did not leave each community until the task-sharing model proposed by Community Mind became embedded. He had to ensure that his legacy would have continued even in his absence.

The basic idea for Michael in terms of replicability is to empower communities to become independent in helping others; by providing all the technical and relational support that Community Mind had been developing, Michael could ensure that the clinics he helped create would no longer require his presence.

The second way Michael changed the relationships among stakeholders to produce systemic change through replicability is indirect but very powerful. By showing that the clinics successfully employed the task-sharing model (i.e., nonprofessionals were employed in treating people with mental health disorders), he cast light on a deficiency in private and public health sectors. He has shown that his clinics could deliver superior quality service because “the isolation of a sick person is surpassed by the community.” He has shown that community treatment (already validated in other countries, such as Italy and Belgium) could be a very effective alternative to traditional treatments that focus on the isolation of a patient and the administration of drugs. Since Michael’s efforts, both the government and the private sector have become more involved in community therapy and support.

In terms of the organizational model, our study shows that the replicability of NPs is lower than that of FPs. It is slower because it sets the basis for systemic change to occur by ensuring that the solution is embedded within the community. In NPs, scaling takes longer because there is no ready-to-make business model, but rather the organization lets the local context (typically, the community members) adapt to the idea of how the relationships should be designed. Instead, in FP social enterprises, scaling is faster, owing to the presence of a business model. The depth of the relationship is reduced to the benefit of speed.

While the replicability discussed with Michael’s example refers to direct replicability—that is, another community replicates the model adopted by one—there is also “mediated replicability.” It requires the intervention of a public entity or some kind of authority. This type of replicability is facilitated in the case of an NP model, as witnessed by the Energy for All cases: Luke Light managed to bring energy to underserved areas of Brazil only when he successfully bypassed national

energy companies and interacted with the *Banco Federal de Desenvolvimento*. He explained that only by being an NP organization could he undertake such action; FP organizations are “bound” by market mechanisms, while NPs have the freedom to design and develop relationships with public and private organizations, transcending the regular transactional approach.

In sum:

- The successful replication of a social enterprise requires a change in the relationships among the stakeholders involved.
- For NPs, replication is slower than for FPs because an NP organization requires community members to adapt the solution to their context, internalize the routines, and embed them into their own system of norms and values. By doing so, it is more likely that systemic change will be brought about.

3 Mechanisms to Achieve Systemic Change

In this section, we illustrate the main mechanisms employed by social entrepreneurs to bring about systemic change.

3.1 *Illegitimacy*

The first mechanism to produce systemic change is one that is employed to gain legitimacy: social entrepreneurs need it to leverage their stakeholders and produce a change. If a solution presented by a social entrepreneur is not legitimate among stakeholders, it cannot become embedded and, hence, cannot produce systemic change.

FPs achieve legitimacy by showing that their product or service is scalable; that is, there is a demand for it. They use a typical transactional approach to achieve legitimacy. NPs cannot follow the same approach because they do not have a business model. Our study shows that NPs leverage illegitimacy as a reaction toward the market and the public sector to build legitimacy within a community. This community grows its own identity the more it realizes that neither the public nor the private sector endorses the model of the social entrepreneur. This identity creation is the basis for embeddedness.

Michael Kurtz realized early on how the dynamics described above could lead to systemic changes. When he proposed the task-sharing model to treat mental disorders, he received harsh criticism from his colleagues in the field of psychiatry. They shunned him for adopting an illegitimate practice that enabled people with no medical training to administer medication and treat patients, threatening the status and validity of the traditional treatment employed on people with mental disorders. At the same time, Michael received criticism from public organizations that also felt

threatened by a type of treatment that was very different from the one proposed in the Indian public system. This rejection from the private and public systems had a very powerful consequence on the communities where Community Mind was present: the community members who had been trained by Michael to support the people with mental disorders, the treated people, and all the actors involved in the creation of Community Mind grew stronger in their belief that task sharing is a superior (more legitimate) solution than those offered by the public and private sectors. The label “illegitimate” that the private and public sectors were imposing on Community Mind provoked the response of making the organization even more legitimate among its stakeholders. The resistance posed by traditional powers created an army of disobedient people who believed that what they were practicing in their communities was good and necessary. Entrepreneurs who successfully manage illegitimate mechanisms use their NP status to force established rules.

In terms of the organizational model, the ability to challenge the private and public sectors is not present in FP social enterprises. FPs need to find legitimacy among their customers. There are cases of traditional FP entrepreneurs that have challenged the *status quo* (such as Tesla in the automotive industry), but the typical rhetoric employed is consistent with innovation rather than illegitimacy, and this is how financial viability can be obtained. Conversely, NP enterprises build their legitimacy from the bottom by empowering the communities to experience the validity of entrepreneurial initiatives. By doing so, they have an incredibly strong basis, and—using Michael Kurtz’s words—“People trust them even when things go wrong” because they are part of the solution and have internalized what it means to change a system from within.

In sum:

- NPs take advantage of their “illegitimacy” to force the *status quo*.
- Only if the solution provided by the social enterprise is embedded in a community can it trigger the “illegitimate” response.
- When shunned by the public and private sectors, NP social enterprises find allies among actors that also fail to fit in with those sectors.
- FPs cannot exploit such mechanisms and instead leverage the rhetoric of innovation to gain legitimacy.

3.2 *Learning from Failure*

Case studies show that social enterprises have different approaches to strategy definition and execution. The ability to learn from failures has emerged as an important intervening mechanism for achieving systemic change. As entrepreneurial work is often associated with complex settings, social enterprises can make mistakes. The ability to learn from these mistakes and apply corrective actions entails both individual and organizational aspects. At the individual level, the entrepreneur and their team must feed virtual cycles of learning rather than spiral into vicious

cycles of negative attitudes in the face of challenges and opposition from existing institutions. Usually, the founder takes the lead and provides an interpretative lens to allow collaborators and stakeholders to perceive the opportunities hidden in apparent challenges and enforce a trial-and-error approach. Some social entrepreneurs speak about “conscious failure” as a necessary condition to learn, especially in the early stages of their endeavors.

At the organizational level, the ability to learn from failures emanates from a series of synergetic abilities, including teamwork, flat structures, empathy, and double-loop learning. Teamwork favors collaboration among employees and stakeholder, and allows knowledge and resource sharing. This is a key asset when facing challenging situations as it allows leveraging others’ abilities when the arranged solutions do not work. In connection with this, a rather flat or horizontal organizational structure that uses delegation and people’s empowerment enables the power of the crowd and is likely to open alternative paths. Social enterprises that seem to make the most of failures are those where power is not centralized in the hands of the entrepreneur but rather shared with other committed and passionate individuals. Empathy appears to be a pervasive competence in an organization. Learning from one’s mistakes can only happen when alternative views are considered valid and people pay attention to what others think. Furthermore, we found that social enterprises that learn from failures are willing to challenge their assumptions. In other words, they do not simply look for alternative solutions to a certain problem but doubt the problem itself (otherwise referred to as double-loop learning) in a seamless exercise of questioning their own goals and, as a consequence, search for the most appropriate conduct.

From this standpoint, FP and NP social enterprises are quite different. FPs need to have a viable solution, which is ideally perfect from the beginning; otherwise, their financial sustainability would be at stake. Therefore, failures that are too large are not allowed. Their solution, in the form of either a product or service, is designed to work and be valued by the market. Contrarily, NPs might consider failure to be a necessary step. Some entrepreneurs recognized that, in the early stages of their enterprise, they consciously did the wrong thing until they realized how to think outside the box. It was clear to them that they did not need the best possible strategy from the start but simply need to be good enough to set the course. Improvements and impacts can occur at a later stage once the solution is iteratively validated.

In sum:

- Social entrepreneurs learn from “conscious failures.”
- The best way to achieve systemic change is through a trial-and-error cycle.
- FP social enterprises have limited chances of failure. This enables their success in the market but might prevent the full extent of systemic change opportunities.

3.3 *Know-How*

Systemic change requires some kind of specific know-how, sometimes very technical and sometimes emanating from the connections across the community where it is spreading. In all the cases analyzed, we found that the social entrepreneur spent considerable time learning and accumulating knowledge about the social issues addressed. Ilo Green studied Dr. Miyawaki's method to grow forests, and he even refined the method in time as a result of his own experience. Fred Stones initiated Chef's Power from his chef skills. Psychohelp and Community Mind were created, thanks to a lifelong connection with mental illness and psychiatric practice, respectively. A profound understanding of the problem appears as a precondition for stirring debate and action in the right direction, mobilizing the relevant stakeholders, and bundling together the necessary resources.

Acquiring know-how might require a considerable period of training, practice in the field, personal connection with the issue, or a combination of all of these. The entrepreneur might be the source of know-how, but they can also outsource it from other actors participating in the enterprise.

However, we also found distinctive characteristics in the know-how of FP and NP social enterprises. FPs usually require proprietary knowledge that is legitimized in the market. This is because they need to sell a credible and effective solution to sustain the growth in demand. Not all FPs decide to protect their intellectual property, and this is a key factor in terms of replicability. It appears more common for FPs to retain intellectual property (IP) rights and therefore link replicability to their own capacity. Contrarily, NPs do not usually hold any proprietary know-how; they make knowledge, tools, and techniques available to anyone who is willing to adopt their solution in other locations.

In sum:

- System change is achieved by sourcing know-how from a broad range of stakeholders.
- FPs tend to protect their know-how, whereas NPs typically make their know-how open source.

3.4 *Adaptability*

Any organization should be capable of adapting to changing institutional factors. Opportunities and challenges arise from society, regulations, market trends, competition, and so on. However, the social enterprises we studied showed prominent adaptability to their changing contexts. On the one hand, their survival instincts make them more resilient to crises and disruptions than traditional businesses. On the other hand, they are particularly receptive and able to detect opportunities to maximize their impact or even new problems that call for action. For example, in the last few years, Chef's Power quickly realized the dramatic extent of the issues

caused by the coronavirus disease 2019 pandemic and soon reorganized to launch the “Solidarity Kitchen Project” to empower local communities in the provision of healthy food during an emergency.

Despite the pandemic constituting an unfortunate test bench for resiliency, we observed a similar capability in most social enterprises, looking back retrospectively at their moments of crisis and turning points. It is difficult to decode the genetic characteristics that enable adaptability, but there are a couple of interconnected aspects.

First, social entrepreneurs are often resilient and eclectic individuals who seem at peace with change. Because one of the characteristics of systemic change is the generation of a cognitive shift in people’s view, social entrepreneurs are naturally open to challenging their principles, values, and habits, constantly searching for the most effective solution to a problem. In this sense, the entrepreneur (and by extension the coworkers) understands that they need to embody the change before making it happen.

Second, social entrepreneurs are more eager to learn. Learning is a pervasive element of the analyzed cases. Social enterprises need to be constantly updated with the latest solutions to the targeted issue. They also need to be efficient in the use of resources and connect to a wide array of stakeholders across different industries, including business, public administration, the social sector, and society at large. Learning enables the enterprise to orchestrate knowledge and resources and bundle them together in response to changing environments in a constant equilibrium between problems and solutions. Therefore, social entrepreneurs firmly believe in the need to nurture people and develop their commitment to learning.

As for the comparison between FP and NP social enterprises, we can report a difference in the degree of adaptability. For FPs, adaptability is a qualifier factor that is helpful in topical moments, such as the founding or moments of crisis. Once the enterprise is running, FPs look for stability. Once they find a viable business model, they try to exploit their skills to ensure financial sustainability and maximize their impact. In this sense, they do not necessarily perceive the necessity for change. Adaptability is a core ability of NPs. They seem to acknowledge that change is the only constant, and they do not expect stability.

In sum:

- Adaptability is a key mechanism for pursuing systemic change, and it requires challenging assumptions and learning capabilities.
- Adaptability is a core ability of NPs, whereas in FPs, it must be balanced with stability.

4 Conclusions

The main objective of this study was to explore the characteristics of systemic change and the mechanisms used by social enterprises to achieve it.

Table 1 Facets of systemic change in for-profits and nonprofits

Systemic change	For-profits	Nonprofits
Cognitive shift	Predefined (part of the business model)	Emergent and deep (part of the community)
Embeddedness	Not required (market demand)	Required (social norms)
Replicability	Replication Transaction Faster	Propagation Experience Slower

Table 2 Mechanisms that drive systemic change in for-profits and nonprofits

Mechanisms	For-profits	Nonprofits
Legitimacy vs. illegitimacy	Legitimacy	Illegitimacy
Learning from failure	Need to succeed	Conscious failure
Know-how	Proprietary	Cocreated
Adaptability	Noncore	Core

We discovered three interrelated facets of systemic change.

As summarized in Table 1, this requires a cognitive shift, which sprouts and grows in a community. The community often offers preconditions that enable the development of new thinking about a problem and the testing of new solutions. Once the change is embedded in the values and practices of the community, it becomes replicable in other contexts.

We also discovered clear differences in how FP and NP social enterprises approach systemic change. FPs usually have a predefined change in mind, which is conceived to solve a social issue and also takes the form of a business model for selling a given product or service. In this sense, the objective of FPs is to scale up and increase income and profitability while solving social issues. In this sense, the solution offered by FPs should work by itself and does not necessarily require profound links with the local community, which makes scalability faster. Instead, the NPs’ concept of systemic change is much more embedded in social context specificities. The cognitive shift to be produced is not predefined as it is usually cocreated. The local community becomes the protagonist, and change emerges rather than being designed. On the one hand, this type of change is deeper and has more complex ramifications. On the other hand, it is slower to scale as it requires an understanding and adaptation to the target contexts of the application. NPs tended to replicate their impact by influencing other communities that came into contact with the original community where the movement started. This process is more effective and persistent but requires more time.

As for the mechanisms (see Table 2) that drive systemic change, we discuss four: illegitimacy, know-how, learning from failures, and adaptability. Similar to the characteristics of systemic change, we found striking differences between FP and NP social enterprises. FPs need legitimacy to be considered credible providers of products and services in the market. Conversely, NPs are usually positioned on the

Table 3 Strategic profiles in the evolution of for-profits and nonprofits

Evolution	For-profits	Nonprofits
Value proposition	Seizing	Sensing
Complexity	Simplify	Embrace
Institutional context	Usually stay FP	Can generate FP and back

opposite side of the spectrum and destabilize the *status quo*. NPs aim to disturb the conscience as a first step toward systemic change and simultaneously create a sense of belonging within the community whose needs are satisfied by an illegitimate idea. Therefore, it follows that FPs are not predisposed to fail; like any other firm, they intend to satisfy customers (while benefiting their target group). Instead, NPs prioritize a social mission over market success. Because they are conscious of the complexity of the problems tackled, they understand that an optimal solution is not easy to achieve (if it exists) and often adopt a trial-and-error approach. In this sense, NPs consider failure as a necessary learning phase, which brings them one step closer to a satisfactory solution.

Another important difference between FPs and NPs is the way knowledge and intellectual property are handled. The former protects the advantage-generating resources. They tend to be protagonists in the replication of the solution to other contexts and use it as an instrument of financial viability. The latter does not usually fit the traditional concepts of resource ownership and inimitability. NPs are spread from a community where solutions are cocreated; therefore, they are not necessarily owned or controlled. Moreover, their aim is to build bridges and contaminate as many communities as possible, allowing them to become independent agents of change. The NP not only spreads among communities, but its core model is tweaked to better fit the local community and hence become truly embedded.

Finally, FPs seriously consider efficiency, ideally privileging stable contexts that favor repetition and process optimization. They dedicate time and effort to designing a solution that fits a certain environment and wish to exploit their value creation potential as much as possible. NPs simply do not live in stable environments and, therefore, cultivate adaptability for survival. They are fluid organizations that constantly adapt to changing circumstances.

In conclusion, we explored the evolution patterns of FP and NP enterprises and observed different strategic profiles (see Table 3). For the reasons illustrated above, we consider FPs better at “seizing” market opportunities as they design hybrid value propositions that have the power to address societal problems and ensure financial independence at the same time. Contrarily, NPs are better at “sensing” innovative ways to address social issues. They prioritize the social welfare logic oriented toward systemic change and consider financial viability as a subobjective. In connection with this, FPs tend to address relatively simpler problems that have clear boundaries and can be solved through specific solutions. Conversely, NPs focus on the bigger picture and embrace the complexity of issues involving many stakeholders and multiple objectives.

Since NPs aim to tackle complexity, they are more likely to implement a variety of concurrent initiatives that address different facets of the problem. As part of this process, they may find themselves in a position to generate ramifications, including areas where FP models can be applied. Instead, FPs usually stay the same because their scope of action is predefined and they focus on exploitation.

If NPs have proven superior abilities in creating systemic change for their ability to be embedded in the community, they are also key in paving the way for FPs to emerge and flourish; the “conscious failure” mechanism discussed above is the natural antecedent to the generation of multiple successful models, particularly FP ones. Luke Light, one of the interviewees in this study, clearly explained this consideration: “The NP model comes in earlier than the FP one to create the conditions for the private venture to arise.” Once the model is consolidated, thanks to the trial and error activated by the NP, other social initiatives can be established with a lower risk of failure.

5 Implications and Recommendations

The preliminary interviews conducted to support this research project were instrumental in confirming that this topic is underresearched and that important novel contributions can be made.

With this research, we hope to clarify two main aspects: defining systemic change and understanding how to bring it about. This can have fundamental implications for social entrepreneurs in their journey to tackle social issues; for nongovernmental organizations (NGOs), investors, and donors that support social enterprises; and for policy makers, giving ground to benefits and regulation for the social sector. As a result, we expect this project to empower and legitimize the role played by social entrepreneurs and other relevant stakeholders that are part of their ecosystem. Ultimately, we expect that the know-how generated through this project can help foster systemic change in the medium to long term, pointing out that, now more than ever, a paradigm shift toward a model of shared responsibility in which all ecosystem players contribute to systemic change is needed (i.e., entrepreneurs, investors, donors, public administration).

The first target group that can benefit from the project is social entrepreneurs who operate at the nexus of social and economic systems to solve societal issues.⁷ Social enterprises not only contribute to public policy objectives (such as job creation, inclusiveness, equal opportunities, sustainability, and civic participation), but they are also an important part of the economy as they account for 13.6 million workers in Europe.⁸ For example, in Spain, it is estimated that the social economy’s benefits for

⁷Longoni et al. (2019), pp. 3–33.

⁸Borzaga et al. (2020).

society are worth €6229 billion annually.⁹ Our results can help social entrepreneurs choose the most effective and viable organizational model with the goal of achieving systemic change and also provide them with a further understanding of the interrelated subdimensions of systemic change and the mechanisms to get there.

Another reason for the social relevance of our project is the impact we can provide to NGOs, such as Ashoka, which support social entrepreneurs. These organizations help them spread their ideas and connect them to different allies. Our results support these NGOs in selecting social entrepreneurs with the most promising prospects. Finally, our results can help pitch social entrepreneurs to a wide array of supporters, showing which kind of value proposition would ensure financial viability and which would generate the greatest systemic change.

Finally, our study could directly help donors, investors, and policy makers decide which social enterprises they might want to fund and understand what kind of support they might need. Specifically, it is urgent to strengthen the support ecosystem of NPs, just as it is happening with social businesses, and this is an important element to consider for those donors and investors who are truly committed to supporting systemic change. Funding for systemic change initiatives requires an important mindset shift since it is like doing research and development (R&D) and undertaking the exploration phase of highly complex social challenges. This means, first, starting to work in close and deep alliances with systemic entrepreneurs, creating spaces for dialogue, and prioritizing relational over transactional. Second, it means setting the basis for long-term engagement since systemic change involves long processes that cannot be addressed in the short term. Finally, this mindset shift implies being open to failure as a mechanism that allows identifying the best possible course of action and creating spaces to share learning, successes, and failures.

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