Value drivers of social businesses: A business model perspective

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ABSTRACT

Hybrid organizational forms that combine commercial and welfare institutional logics play an increasingly important role in addressing the grand societal challenges we face today. Building on the literatures on hybrid organizations and social business models, we explore the characteristics of social businesses from a business model perspective. This study seeks to better understand the particularities and value drivers of hybrid social purpose in contrast to purely commercial business models. We follow a grounded theory approach and our findings are based on interview data from 17 social business firms. Building on social businesses' identified particularities, we propose four value drivers of social business models: 1) responsible efficiency, 2) impact complementarities, 3) shared values, and 4) integration novelties. We link our findings to the literature, contributing new insights into social businesses models and implications for practitioners.

Introduction

Solving grand societal challenges, such as global poverty, gender and race inequalities, illiteracy, and climate catastrophes, is one of the most important contributions our generation can make. While many NGOs, foundations, and associations dedicate themselves to one or more of these social challenges, an increasing number of social businesses seek to combine a commercial business role with a similar social mission (Porter and Kramer, 2006, 2011). Furthermore, consumers increasingly require brands to not only offer products and services with functional benefits, but to also make social contributions (Vilá and Bharadwaj, 2017).

Social businesses need to combine two or more institutional logics: While they strive for commercial performance, they also want to address a social purpose (Mair et al., 2015; Santos et al., 2015). In general, institutional logics guide and shape organizational members’ cognition and behaviors of (Friedland and Alford, 1991; Thornton et al., 2012). Thus, navigating institutional plurality potentially creates conflicts and rivalry between each logic’s competing goals (Jay, 2013; Mair et al., 2015). Business models have emerged as a cognitive instrument for managers to make sense of the logic of how a firm creates and captures value (Baden-Fuller and Haefliger, 2013; Martins et al., 2015). While business models originally focused solely on commercial value, it has recently been argued that the concept is capable of considering different constellations of institutional logics (Laasch, 2017; Ocasio and Radoynovska, 2016).

Social business models have received little, although increasing, attention in the business model literature (e.g., Seelos and Mair, 2007; Wilson and Post, 2013; Yunus et al., 2010). The analysis of social business from a business model perspective is favorable for two reasons: first, business models are as interdisciplinary as researching social business is (or needs to be); second, business models emphasize the logic of inherent value creation by analyzing its effects (Abdelkafi and Täuscher, 2016; Schaltegger et al., 2016). To
date, the literature has failed to integrate different approaches to conceptualize social business models within a shared theoretical framework. We therefore identify two main gaps in the literature. First, empirically and theoretically, it remains unclear what distinguishes a social business model from a traditional one. While academics increasingly agree that business model research has solid theoretical foundations (Amit and Zott, 2015; Spieth et al., 2014; Wirtz et al., 2016; Zott and Amit, 2013), the institutional integration of social elements into the business model concept is still in its infancy (Bocken et al., 2014; Sabatier et al., 2017; Seelos et al., 2011; Wilson and Post, 2013). Second, whereas pioneering studies in this domain consistently highlighted that social business models should follow a clear social mission and should configure resources in a way that allows the organization to be economically self-sustaining (Seelos and Mair, 2007; Wilson and Post, 2013; Yunus et al., 2010), social business's underlying value drivers have not yet been identified. The term value driver refers to the sources of value and the factors that enhance the total value that the firm creates (Amit and Zott, 2001). The particular influence that social business's multiple institutional logics have on these value drivers has not yet been explored.

We address these shortcomings and seek to deepen our understanding of social businesses from a business model perspective. To build and enlarge the theory, our study was guided by the research question: How do social business models differ from traditional business models? Following an inductive analysis to identify the particularities of social business models, we frame our analysis by building on Amit and Zott's business model conceptualization that defines business models as “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (Amit and Zott, 2001, p. 511). First, we identify four dimensions of particularities that distinguish social and traditional business models. Second, we identify four value drivers of social business models: 1) responsible efficiency, 2) impact complementarities, 3) shared values, and 4) integration novelties.

Recent research at the intersection of social business and the business model literature emphasizes the need to extend traditional business models' value perspective from the focal firm to society in order to make the concept purposeful for social business models (Seelos et al., 2011; Seelos and Mair, 2007; Wilson and Post, 2013; Yunus et al., 2010).

**Literature review**

**Commercial business model concept**

The present popularity of the business model concept has its origin in the emergence of the internet and related e-business activities (Amit and Zott, 2001; Massa et al., 2017; Wirtz et al., 2016; Zott et al., 2011). Despite a wide range of business model definitions, conceptualizations, and frequent misconceptualizations, there is agreement that business models capture how a firm does business and how it creates and captures value (Baden-Fuller and Mangematin, 2013; Casadesus-Masanell and Ricart, 2010; DaSilva and Trkman, 2014; Demil et al., 2015; Spieth et al., 2014).

Based on the extensive work on conceptualizing business models two dominant approaches in conceptualizing business models emerged (Clauss et al., 2018; Spieth et al., 2014): element-based approaches that deconstruct business models into configurations of certain interchangeable elements and activity-system-based approaches that conceptualize business models as holistic systemic structures of activities that create value. In the element-based approaches three aggregated elements are commonly used to capture a firm's business model: the value proposition, the value architecture, and the profit equation (Spieth and Schneider, 2016; Wirtz et al., 2016; Yunus et al., 2010). These elements are not decoupled from one another, but are configured systematically and synergistically (Aversa et al., 2015; Casadesus-Masanell and Ricart, 2010). This configuration then links opportunity appraisal to its exploitation (Amit and Zott, 2001; Fiet and Patel, 2008; George and Bock, 2011) and ultimately describes how a firm generates profit (Casadesus-Masanell and Zhu, 2010; Gambardella and McGahan, 2010; Yunus et al., 2010). In this regard, the business model captures the organizational representation of the cause-effect relationships between customer definition, engagement, and monetarization by satisfying its customers' needs (Baden-Fuller and Haeffliger, 2013; Baden-Fuller and Mangematin, 2013).

The activity-system-based approaches shift the focus to the systemic configurations of activities instead of the particular elements behind these. This more holistic view enables a more theoretical anchoring of the concept in terms of the ongoing debates on the business model concept's robustness, its standalone contribution, and its theoretical foundation (Arend, 2013; Massa et al., 2017). Zott and Amit (2013, p. 403) responded to this observation by pointing out that, since their first publication on business models in 2001, business models have developed clear theoretical roots: “business models can create value through efficiency (anchored in transaction costs economics), novelty (through Schumpeterian innovation), complementarities (anchored in resource-based theory), and lock-in (inherent in strategic networks)”. These four value drivers, although not necessarily different, each represents configurations of activities following a clear value creation premise defining the strategic means by which value is created in a business model (Amit and Zott, 2001; Zott and Amit, 2010). Efficiency creates value by creating efficient and cost saving systems, novelty focuses on adopting new activities or new ways to link activities, lock-in utilizes mechanisms to bind customers via switching costs, and complementarities synergies through the bundling of activities (Zott and Amit, 2010). These value drivers utilize particular design element configurations – content, structure and governance (Zott and Amit, 2010). Content defines the activities that should be undertaken to create value, structure describes how the activities are linked and sequenced to create value, and governance captures who should undertake activities and where (Zott and Amit, 2010).
These views utilize business models to provide a “consistent and integrated picture of a company” (Schindehutte et al., 2008; Yunus et al., 2010, p. 312). Despite the structural view inherent in previous literature on business model conceptualization, recent literature has highlighted that business models also serve as cognitive instruments for actors inside and outside an organization (Baden-Fuller and Haeffiger, 2013; Baden-Fuller and Mangematin, 2013; Martins et al., 2015). These models indicate the cognitive structures of a firm’s boundaries, how to organize governance and internal structures, and how to create value (Doz and Kosonen, 2010), serving as ‘recipes’ for managers (Baden-Fuller and Haeffiger, 2013; Sabatier et al., 2010). As cognitive structures, business models provide mental representations or schemas that accumulate knowledge in a framework in order to interpret triggers and information (Fiske and Taylor, 1991) that help to “organize managerial understandings about the design of firms’ value-creating activities and exchanges” (Martins et al., 2015, p. 99). Given these different perspectives, comprehensive understanding of a business model requires capturing the structural and cognitive representation of organizational value drivers.

The idea of business models determining these views emerged in the context of a purely commercial value definition: How can firms monetize the value provided by internet and e-commerce activities? (e.g., Afuah and Tucci, 2001; Amit and Zott, 2001; Chesbrough and Rosenbloom, 2002). The underlying value logic in this business model understanding is entirely shaped by the commercial market logic, which makes financial return for shareholders the firm’s ultimate goal. While a commercial market logic was predominantly understood as the dominant institutional logic behind business models, they might also be shaped by different institutional logics, including sustainability, welfare, and government logics (Laasch, 2017; Ocasio and Radoynovska, 2016). Furthermore, while value can be considered at the individual, organizational, and societal levels, the dominant value logic considered in business models only emphasizes its organizational perspective on a firm (Laasch, 2017; Lepak et al., 2007). Therefore, we further conclude that in order to have a comprehensive understanding of the business model in non-commercial contexts, heterogeneous value logics, co-shaped by multiple institutional logics and value perspectives, must be considered (Laasch, 2017; Randles and Laasch, 2016).

Institutional logics in social businesses

Based on the ideas of Nobel laureate and founder of the Grameen Bank Mohammad Yunus (2007), social businesses are market-based businesses that explicitly focus on social goals, rather than the maximization of economic gains. These businesses repurpose business methods to recover their full costs, making them self-sustainable in terms of achieving their social goals (Yunus et al., 2010). Social businesses are therefore hybrid businesses that simultaneously seek to achieve a social mission, as well as commercial performance (Wilson and Post, 2013) (e.g. integrating the organizational forms of a business and a charity organization (Battilana and Lee, 2014)). In consequence, social businesses need to combine multiple institutional logics: “the social purpose traditionally associated with non-profit organizations with the economic purpose and market-based methods traditionally associated with for-profit firms” (Mair et al., 2012; Santos et al., 2015; Wilson and Post, 2013, p. 715).

Institutional logics are socially constructed sets of material practices, assumptions, values, and beliefs that guide and shape cognitions and behaviors in an organization (Friedland and Alford, 1991; Thornton et al., 2012). For the organization members, institutional logics identify “which means are meaningful” (the goals), as well as which “means-end couplets are thought appropriate” (= the means to achieve the goals) in the organizational context (Friedland, 2002, p. 383; Thornton, 2002). Thus, the logics offer behavioral guidance in terms of the organizational members’ actions when these suffer from ambiguity or reveal cognitive limitations (Lounsbury, 2002; Thornton, 2002). In the simplest form, ‘pure’ organizations follow just one institutional logic that guides their members to strive for financial return for the shareholders (Mair et al., 2015). In contrast, hybrid organizations navigate institutional plurality by simultaneously being exposed to two or more – potentially conflicting – institutional logics (Jay, 2013; Mair et al., 2015). In this context, conflicts can arise from the differing objectives and means associated with each institutional logic (Pache and Santos, 2010). This could result in a competition for bottleneck resources, such as financial investment and managerial attention (Ocasio, 2011). Further, the differing objective and means create ambiguity about performance measures and require the organization to be accountable to a diverse set of stakeholders (Anheier and Krlev, 2015; Townsend and Hart, 2008). Firms also face the challenge of potentially drifting too much toward one institutional logic, which could jeopardize their legitimacy in terms of the neglected logic (Ebrahim et al., 2014).

‘Pure’ organizations can either follow a commercial logic that has shareholder satisfaction as their primary objective, or they can follow a social welfare logic that considers solving a social challenge as its main goal (Mair et al., 2015). Conversely, social businesses have to blend multiple institutional logics by combining the social and commercial missions. Therefore, instead of limiting their view on value creation for the focal firm, they also focus on the value created for individuals and society (Ridley-Duff and Bull, 2016; Sabatier et al., 2017; Seelos et al., 2011; Seelos and Mair, 2007). Despite the potential advantages to be gained from synergies and the mutual reinforcement of social and commercial goals (Battilana and Lee, 2014; Fosfuri et al., 2016), combining logics can lead to conflicts and tensions (Pache and Santos, 2010). Combining a social mission and a business venture requires an organization to manage the ambiguity of diverging objectives and values (Dahlmann and Grosvold, 2017; Smith et al., 2013). Social businesses need to balance the expectations of multiple stakeholders, which bears the risks of satisfying the demands of one side while violating others’, as well as undermining the stakeholders' social purpose’s authenticity (Costanzo et al., 2014; Pache and Santos, 2010; Sabatier et al., 2017). Further, firms may be faced with varying perceptions of successful outcome, as well as with tensions between the shareholders and the stakeholders (Wang et al., 2016). Scaling up the business is another challenge, as firms need to find partners that share the same values (Sabatier et al., 2017). In addition, each logic’s distinct objectives may compete for bottleneck resources within the firm, such as managerial attention (Stevens et al., 2015).
Social business model concept

To successfully manage the co-existence of commercial and welfare logics within a social business, the organizational activity system needs to be synchronized in a way that integrates and balances these logics (Battilana and Lee, 2014; Wilson and Post, 2013). The business model concept provides an adequate perspective to capture the complex structural and cognitive configurations behind these activity systems.

In their seminal publication, Yunus et al. (2010) introduced the social business model concept as a particular business model concept for social businesses. Based on their analysis of different social businesses within the Grameen Group, they conclude that social business models are extensions of regular business models (i.e. comprising the three elements value proposition, value constellation, and economic profit equation) that add a social profit equation as a fourth element, and thus propose and create value for all stakeholders instead of just customers. Although this analysis provides a solid basis for social business models’ general elements, the authors do not provide a differentiated view of the activity systems’ particularities and of their underlying value drivers. Since this study, a few other studies have explored the social business model concept further.2 Michelini and Fiorentino (2012) introduced rather specific social business model features to the traditional business model elements, such as relying on innovative products and utilizing non-conventional channels related to value proposition. The case analysis of seven social businesses by Wilson and Post (2013) mainly identifies the requirements and provides recommendations for social business models’ design: (1) The development of social business models requires a holistic view. The integration of social and economic mission is associated with a new design, or a radical redesign of the activity system, including the value chain and the related stakeholder; (2) social business design and refinement require patience and time; (3) the social mission requires consistent alignment with capital and governance structures, such as the ownership status and the selection of investors. Sabatier et al. (2017) challenge the applicability of Yunus et al.’s (2010) social business model concept in a very specific setting (drug development in Burkina Faso). They find that the economic and social profit equations are hard to distinguish in practice and should therefore be integrated into more complex value constellations. In line with others (Breure and Lüdeke-Freund, 2017a; Michelini and Fiorentino, 2012; Seelos and Mair, 2007), they also highlight the importance of consider partners and networks’ values when designing social business models. Breuer and Lüdeke-Freund (2017a) even maintain that the internal and external stakeholders’ values should drive the design, behaviors, and decisions of social business models (i.e. values-based business models).

Our review of the literature on business models, the institutional logics of social businesses, and previous research on the social business model area shows that business models can be mainly differentiated into a rather descriptive, element-based view and a more theoretical, activity-system based view. Since prior literature emphasized potentially conflicting institutional logics in social businesses, an element-based perspective would probably not cover the complex value configurations in social business models. However, existing research on social business models based on the seminal work of Yunus et al. (2010) consistently relies on this perspective instead of analyzing social business models’ value drivers. We therefore separate our initial research question into two specific questions for our empirical analysis:

1) What are the particularities that distinguish social and traditional business models?
2) What are the systemic value drivers behind social business models?

Methodology

We seek to enhance knowledge about social businesses from a business model perspective. To master this study’s explorative character and to capture its complexity, we followed a qualitative research approach. Qualitative research is appropriate to discover and enlarge knowledge of real-world phenomena (Holloway, 1997), which social business models represent. We therefore adhere to grounded theory and contribute to the literature by developing theory from cases (Eisenhardt, 1989; Yin, 2014). The data originate from our interviews with practitioners, who are well suited to enlarge our relevant practical knowledge (Amabile et al., 2001). When analyzing these (single) cases, we moved from single phenomena to the general by developing propositions. This inductive procedure is the most appropriate to answer our research question, which corresponds to the why and how question requirements as defined by Yin (2014). This open-design research approach reflects the heterogeneous understanding of the phenomena and the context. The impartiality of qualitative research allows for modifying assumptions and a design, and for developing research ideas and propositions that address social business models’ practical applications (Maxwell, 2005). We identify particular social business model characteristics that distinguish them from traditional, for-profit business models.

Sample

We followed a theoretical sampling strategy with the overall goal of finding manifestations of a theoretical construct of interest in order to examine and elaborate the construct and its variations (Patton, 2002). Theoretical sampling explores the dimensions and varying conditions for concept variation on the basis of emerging concepts (Strauss and Corbin, 1990). The purposeful sampling method is used to create a coherent sample that provides an in-depth understanding of a phenomenon by ensuring information-

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2 Social elements have been part of the conceptualizations of several recent studies on sustainable business models (Lüdeke-Freund and Dembek, 2017). Since these studies clearly focus on environmental aspects in their analyses, we do not include this line of research here.
richness (Denzin and Lincoln, 2005), which helps us answer our research question on how social business models differ from traditional ones. Specifically, we applied an operational construct sampling strategy, i.e. we sampled to study the real-world phenomenon “social business models” (Patton, 2002). We based our sampling on a broad understanding of social businesses, which are self-sustaining, but primarily seek benefits for society (Austin et al., 2006; Seelos and Mair, 2007; Yunus, 2007; Yunus et al., 2010). A social purpose drives a social business’s design, which must also incorporate the profit mechanisms required for a firm’s survival and its capacity to support its social mission (Wilson and Post, 2013). Further, we distinguished between three categories of social missions: Enhancing the availability and accessibility of resources (cases 1, 4, 6, 9, 11, 14, 15, 16), supporting people with disadvantages (2, 10, 12), and achieving fairness (3, 5, 7, 8, 13, 17). For example, case company 1’s social objective was to improve global access to drinking water (enhancing the availability and access), company 2 supported disadvantaged students (supporting people with disadvantages), and companies 8 and 13 emphasized fair production methods for all actors involved in the production process (achieving fairness). However, this categorization was not used as an a priori selection criteria, but emerged from the sample.

As we did not find any indication of variation in firm behavior based on this categorization, we did not elaborate on it further when discussing the results. Since the overall population of all social business models is not known, a purposeful sampling had to be chosen rather than a random sampling strategy (Patton, 2002). Further, we aimed for a homogeneous sample in terms of business model complexity, i.e. we only considered firms with a single business model. We therefore excluded firms that utilize dual business models as described by Markides and Charitou (2004). Since we assumed that social business models’ meta-features are not industry-specific, our sample contained four trade firms, nine service firms, and four manufacturing firms. We did not analyze social foundations or clubs, economically self-reliant businesses that are economically independent and follow social and/or sustainable strategies.

In alignment with the theoretical sampling strategy, we sought to maximize information on the real-world phenomenon social business model, using information redundancy as a criterion to determine the sample size (Lincoln and Guba, 1985). Saturation was reached when no new, additional first-order categories of social business model particularities emerged in a preliminary analysis of the results executed in parallel with the data collection. We achieved saturation after 17 cases had been analyzed, which was in line with our ambition to maximize information on the phenomenon. The interviews took place in 2014. All firms were founded at least three years previously and had an average age of more than 21 years. Table 1 provides an overview of the cases.

**Data collection**

To ensure reliability and validity, we followed the triangulation data review approach using three sources: interviews, accompanying documents, and websites (Yin, 2014). We therefore took different information sources and perspectives into consideration to increase the construct validity (Yin, 2014). The interviews fulfilled our empirical claim to obtain qualitatively rich and in-depth insights into a real-world phenomenon (Eisenhardt and Graebner, 2007). We improved the internal validity by using a formal interview guide (Gibbert et al., 2008). The semi-structured interviews gave us the needed flexibility while simultaneous observance ensured that the same standards were applied to all the cases. The semi-structured interview comprised three main parts: identifying the social firm’s business model unit of analysis and its value offering, its value creation, and its revenue logics. Part 2 of the interview centered on the firm’s social motivation (Why are they engaging in what they do?), their approach to business (What drives their behaviors? How do they make decisions?), and what they are achieving (What are their impacts? What can they influence?). An additional element that emerged during the early data collection was added to the part of the interview guideline concerned with their partners and stakeholders (With whom do they work? How do they collaborate?). Part 3 of the interview guideline focused on identifying the challenges of and the conflicts in running a social business.

In each case company, we sought to interview a firm representative with a holistic understanding of its operational activities and its strategic goals. In many cases, this was the company’s founder, CEO, or a direct report working closely with this person (e.g. the assistant to the CEO). In a number of cases, we interviewed senior employees in a client-facing role (e.g. sales manager), or in a role explicitly dedicated to designing and communicating the firm’s social orientation (e.g. the Head of Corporate Responsibility). For example, in case company 14, a financial services firm, the sales manager was chosen as an interview partner, because he could convey his insights into how customers struggle to understand the rare combination of an economically oriented, financial institution and an ethical and ecological mission.

This consideration of different hierarchical positions and functional areas helps reduce potential bias (Eisenhardt and Graebner, 2007). With a focus on the collected interview data, we emphasized the meaning of the interviewees’ personal experiences (Creswell, 2013; Suddaby, 2006). Since all the interviews were conducted in German, we translated them into English. We recorded, transcribed, and paraphrased all the interviews. The interviews lasted an average of an hour, leading to transcripts comprising about 242 pages.

**Data analysis**

We sought to develop theory by following a grounded theory approach. This research is therefore primarily inductive. Without presupposing what the important dimensions characterizing social business models are (Patton, 2002), they emerged from the patterns in the cases throughout the data analysis. Throughout this process, we first did an individual within-case analysis of each case to become familiar with the data (Eisenhardt, 1989) before applying a cross-case pattern search process. In line with Miles et al. (2014), the iterative data analysis guided us by means of the 1) data reduction, 2) data display, and 3) the drawing of conclusions. While data reduction means simplifying and focusing on relevant insights, data display emphasizes the organizing and 1 process of relevant insights into tables or matrices. We conducted several data analyses and several rounds of comparison to ensure high data
<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Social objective</th>
<th>Interviewee/Size</th>
<th>Data sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food provider (founded in 2010)</td>
<td>Global accessibility of drinking water</td>
<td>Sales Manager 10-50 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>2</td>
<td>Education services agency (founded in 2007)</td>
<td>Sponsorship of disadvantaged students</td>
<td>Founder &amp; CEO &lt; 10 members</td>
<td>Interview, annual reports, website</td>
</tr>
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<td>3</td>
<td>Cosmetics/Pharmaceuticals (founded in 1935)</td>
<td>Ecological and fair production methods, supporting social needs</td>
<td>Head of Public Relations, &gt; 500 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>4</td>
<td>Employment agency (founded in 2012)</td>
<td>Recruitment of great talents for positions in social businesses</td>
<td>CEO &lt; 10 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>5</td>
<td>Textiles provider (founded in 1976)</td>
<td>Improving environment, working conditions, fair trade, sustainability</td>
<td>Head of Corporate Responsibility 250-500 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>6</td>
<td>Energy supply company (founded in 2008)</td>
<td>Transformation towards climate-neutral energy consumption</td>
<td>Head of Public Affairs &gt; 500 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>7</td>
<td>Food provider (founded in 1975)</td>
<td>Ecological and fair production methods</td>
<td>CEO 50-250 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>8</td>
<td>Textiles provider (founded in 2011)</td>
<td>Ecological and fair production methods</td>
<td>Founder &amp; CEO 10-50 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>9</td>
<td>Investment advisory (founded in 2001)</td>
<td>Intermediation of ethical and ecological investments</td>
<td>CEO &lt; 10 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>10</td>
<td>IT consulting (founded in 2011)</td>
<td>Integration of people with to Asperger’s syndrome into the labor market</td>
<td>CEO 50-250 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>11</td>
<td>Financial services (founded in 2002)</td>
<td>Provision of sustainability-oriented financial services and investments</td>
<td>Head of Public Affairs, 50-250 members</td>
<td>Interview, annual reports, website</td>
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<td>12</td>
<td>Health-care services (founded in 2013)</td>
<td>Integration of blind or visually handicapped people into the labor market</td>
<td>CEO 10-50 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>13</td>
<td>Textiles provider (founded in 2006)</td>
<td>Ecological and fair production methods</td>
<td>Founder &amp; CEO &lt; 10 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>14</td>
<td>Financial services (founded in 1974)</td>
<td>Provision of sustainability-oriented financial services and investments</td>
<td>Sales Manager 250-500 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>15</td>
<td>Investment services (founded in 2014)</td>
<td>Intermediation of ethical and ecological investments; regional emphasis</td>
<td>Founder &amp; CEO &lt; 10 members</td>
<td>Interview, annual reports, website</td>
</tr>
<tr>
<td>16</td>
<td>Financial services (founded in 1994)</td>
<td>Provision of sustainability-oriented financial services and investments</td>
<td>Head of Corporate Responsibility 250-500 members</td>
<td>Interview, annual reports, website</td>
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<tr>
<td>17</td>
<td>Food provider (founded in 1973)</td>
<td>Provision of regional and organic food as well as social projects</td>
<td>Assistant to the CEO &gt; 500 members</td>
<td>Interview, annual reports, website</td>
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quality (Creswell, 2013; Eisenhardt and Graebner, 2007; Glaser and Strauss, 1967). We analyzed all the data with the support of MaxQDA software and followed the coding procedure of Gioia et al. (2013). Initially, multiple researchers examined each interview individually and read all the interview transcripts in detail and intensively. We then continued with the open coding procedure and analyzed all the interviews line-by-line to tease out all the relevant passages (Glaser and Strauss, 1967). Thus, if possible, we used in vivo codes to adopt an interviewee's language and to name concepts (Corbin and Strauss, 2007). We then iteratively grouped concepts based on the same notion into first-order categories (Charmaz, 2006; Gioia et al., 2013; Lee et al., 1999). This allowed us to reduce the more than 100 initial categories to a manageable 18 germane categories (as displayed in Fig. 1). We then continued to search for descriptions and explanations of the social business model phenomenon in the first-order categories. This resulted in 9 s-order categories and four aggregate dimensions in the data structure (see Fig. 1). Reliability throughout the data analysis was ensured by duplicating the coding procedure, meaning that two researchers independently coded the data before merging their analyses and searching for substantial agreement. Reliability was further confirmed by intercoder reliability checks following the procedure suggested by Riffe et al. (2005).

Grounded theorizing can involve both inductive and deductive analysis (Strauss and Corbin, 1990). After inductively identifying social business models' particularities, we built on the data structure in Fig. 1 to generate theoretical propositions in a deductive analytical process. To do so, we cycled between our data, the discovered themes and dimensions, and the relevant literature (Gioia et al., 2013). Throughout this process of searching for relevant data-to-theory connections, the framework of generic value drivers of business models in the e-commerce context, which Amit and Zott (2001) developed, proved very useful. This framework allowed us to compare and contrast the inductively identified dimensions of social business model particularities with the generic categories of business models' value drivers identified by Amit and Zott in the context of e-commerce business models: efficiency, complementarities, lock-in, and novelty. The deductive analysis resulted in the development of four propositions on social business models' value drivers.

Fig. 1. Particularities of social business models.
Findings

The findings section comprises two sub-sections: First, we identify four particularities of social business models. Second, building on the particularities of identified social business models and how they contribute to the firm’s value creation, we compare these results with those of Amit and Zott’s (2001), Zott and Amit (2010) value drivers. We subsequently derive propositions expressing the derived social business models’ value drivers. Third, we discuss the interrelations between the four value drivers of social business models.

Table A in the Appendix provides additional sample quotes.

The particularities of social business models

The first step of our analysis revealed four particularities of social business models: 1) the interdependence of their social and economic benefits, 2) their social value integration, 3) their social value priority, and 4) their social value community development.

The first particularity of social business models that emerged through our analysis was the strong interdependence of their social and economic benefits. While all the case companies emphasized that they apply the same business logics as traditional firms in their industries in terms of “creating a competitive offering” (interview 10), or in the way they “standardize processes and emphasize lean administration” (interview 11), a special characteristic of social business models is their relationships with economic profits. One pattern that emerged was an understanding of economic profits as an enabler of their social activities. For some firms, such as case company 1, this is the only raison d’être for its economic orientation. Originating from a charity background, it only established the for-profit business of selling bottled water to support its social goals. It considers this one way to raise money to support its activities. This is consistent with other statements, including describing “profit as a simple means to help to satisfy human needs” (interview 3).

Another pattern that became transparent throughout the analysis was the reinforcement effect of social and economic returns. Case company 12, which trains and provides job placements for blind and visually handicapped people in the medical diagnostics field, particularly in the early breast cancer detection field, is an example of this. This company believes that “economic success and social impact run in parallel – the more economic success … [they] have, the more people are provided with a qualification and job placement, the more breast cancer consultations are conducted, the earlier indications of cancer are detected, the better the patients’ survival chances, and the lower the treatment costs for the health insurance system” (interview 12). A similar reinforcement mechanism, with social benefits creating positive economic returns, was observed in case company 10, which specializes in providing suitable job placement for people with Asperger’s syndrome.

A second social business model particularity was their integration of social value into a firm’s product and service offerings. All the patterns in this dimension had this social component, which is inseparably linked to firms’ value offerings and which customers value, in common. The first pattern we detected referred to firms that create direct social benefits throughout their value chain. Examples of this include providing climate-neutral energy to private and corporate customers (company 6) and the Europe-based production of handmade shoes from sustainable materials (company 8). Company 3, a producer of cosmetics and pharmaceuticals, includes the social and environmental value generated through the projects it initiates, such as harvesting roses for their essence in Ethiopia and Afghanistan, as part of what it offers customers. This company summarized this social and environmental value as an ethical value add “that does not necessarily have an immediate effect on the skin, but that has a social impact that each of our customers’ values in their purchases from us” (interview 3). Indirect effects that follow the same pattern include the requirements and standards set by social businesses in order to engage with partners (e.g. interviews 5, 14, and 16). A third pattern that contributes to this dimension is the intermediation of social benefits as a service offering. In these cases, the social businesses offered intermediation services, such as financial investment advice (companies 9, 11, 14, 15, and 16) and employment services (company 4). They understand their role as “putting people who want to invest money in ethically valuable projects in touch with those that need the money for this specific purpose” (interview 15).

The priority given to the social value was a third dimension of social business model particularities. The first pattern of this dimension captures the firms’ emphasis on a fair and reasonable price for their product and service offerings. They report that “there is no single price component that only seeks to maximize profits” (interview 11) and that “they have never [held] a sale” of their products (interview 13). Further, they clarified that they “don’t ask for a higher price to pretend that the products are of higher quality, but … offer high-quality products at reasonable prices” (interview 16). Aligned to this first pattern, these social businesses did not base their purchasing decisions on price. They wanted to “have the freedom … to pay what it takes to achieve the product quality and working conditions” that meet their standards (interview 3). Establishing and maintaining relationships with their partners are built on fair reimbursement for their efforts, which is valued more than a low price (e.g. interviews 3, 7, 11, 13, and 14).

Further, these social businesses’ consistent emphasis on resource efficiency emerged as a third pattern in this dimension. This dimension includes all their actions and the emphasis on using regional partners wherever possible (e.g. interviews 5, 14, and 16). Their consistent emphasis was further underlined by the high transparency levels. For instance, company 13, a producer of textiles with a consistent emphasis was further underlined by the high transparency levels. For instance, company 13, a producer of textiles with a strong emphasis on fair working conditions and sustainable materials, states that its “customers have the opportunity to follow the entire value chain of a t-shirt, ranging from the raw cotton wool, to spinning mills, knitting mills and dyeing mills, which allows for emotional contact with local farmers” (interview 13). Similarly, company 11 described itself as a “virtuous bank” – customers can follow its activities. Company 14 is committed to continuous transparency regarding what its investment clients’ money is used for.

Fourth, we identified social businesses’ emphasis on the social value community development as a particularity. A first pattern concerns social businesses’ values-based selection of partners and clients. This includes identifying industries they would not serve, or investors they would not consider owing to conflicts of interest (e.g. interviews 4 and 15). Further, social businesses actively seek to
“collaborate with partners that share the same values and beliefs” (interview 16). Another pattern of social businesses' community development efforts is their active shaping of the entire value chain. This refers to helping their partners achieve their contributions, for instance, by providing interest-free credit or purchasing guarantees (e.g. interviews 3, 7, 8, and 16). Further, in the interviews, the firms cited various examples of how they actively engage in the value chain to help their partners optimize processes, or establish their own production capacities (e.g. interviews 3, 5, and 13). A further element of a social business's community development is encouraging and helping partners. An example of this is the size-based and position-based revenue model of company 4, an employment agency specializing in finding human resources in the social business sector. This company believes that recruiting the best talent to positions with the highest impacts is important. In terms of pricing, it has “different models. Small firms pay less than large ones, and we also look at each firm and, most importantly, at the position” (Interview 4). Another example is offering different interest rates for ecological and social projects, because credit is less expensive for projects with high impacts (company 11). This also includes these firms' emphasis on enabling their partners to operate economically independently: “We want to make our partners economically free. When we start a project, for instance, in Burkina Faso to produce shea butter, we encourage the local people to also sell to other cosmetics companies to ensure that they generate revenues and to make them independent from us” (Interview 3). Further, the importance was stressed of an ongoing personal dialogue with their partners (e.g. interviews, 3, 5, and 16) and investors who do not just provide finance, but also emphasize “the contacts and understanding of the community” (Interview 4). The third pattern in this dimension addresses firms' engagement in growing multipliers. Social businesses consider their customers key to “building the most loyal and least price-sensitive customer base we can imagine” (Interview 13). Explaining what they do and how they do it to (potential) customers is part of their mission (Interviews 7, 13, and 16). Further, they value the impacts of multipliers who relate positively due to their appreciation of social businesses' social impacts (e.g. interviews 1, 2, and 16).

Fig. 1 (data structure) summarizes our findings.

The value drivers of social business models

Building on the first step, we now compare these results with the value drivers in Amit and Zott's (2001), Zott and Amit (2010) business model framework: efficiency, complementarities, lock-in, and novelty. Based on this discussion, we derived propositions expressing the derived social business models' value drivers.

Efficiency: For traditional business models, the rationale behind efficiency as a value driver is in line with transaction cost theory (Williamson, 1985, 1975) on transaction costs decreasing through efficiency gains due to the design of transactions and activities (Amit and Zott, 2001; Zott and Amit, 2010). Contrary to traditional business models, our analysis revealed that social business models assign priority to social value rather than economic returns. While these models are interested in efficiency gains that help them operate with less waste and less resource consumption, cutting costs at the expense of social value is not an option for them. The interviews showed that they tend to “rank social impact before ecological impact before economic profit” (Interview 14). This consistently affects the structure of the firms' business model – that is, how social firms are likely to do business: Purchasing prices are not solely based on profit maximization, while resource efficiency is consistently emphasized in all their activities. We therefore propose that responsible efficiency rather than mere efficiency is a value driver of social business models:

**Proposition 1.** Social businesses strive for responsible efficiency as a value driver of their business models.

Complementarities: For traditional business models, complementarities – consistent with the resource-based and network theories (Amit and Schoemaker, 1993; Gulati, 1999) – refer to situations in which bundles of goods or activities jointly provide more value than the parts could achieve in isolation (Amit and Zott, 2001; Zott and Amit, 2010). With respect to social business models' content, our analysis revealed that the interdependence of their social and economic benefits is key, either with economic profit as a means of social value generation, or due to the re-enforcement mechanisms of their social and economic actions and benefits. Additionally, social businesses regard their often initially dependent providers as their partners and actively encourage them to become independent and strong market players, thereby making contributing to their social value community development. This contribution impacts further on business model governance, because social businesses seek to collaborate with financial investors, who provide a value add by lending money via social business expertise and community knowledge. We therefore propose that social and economic impacts' resulting complementarities drive the value in social business models:

**Proposition 2.** Social businesses are likely to search for social and economic impacts' complementarities as a value driver of their business models.

Lock-in: For traditional business models, lock-in – consistent with the ideas of network externalities and switching costs in network and transaction cost theories (Katz and Shapiro, 1985; Shapiro and Varian, 1999; Williamson, 1975) – refers to mechanisms or business model elements that help retain customers or partners (Amit and Zott, 2001; Zott and Amit, 2010). Contrary to traditional business models, social business models focus less on forcefully locking in any stakeholders or partners. Instead, they emphasize the importance of developing their social value community. They empower their collaboration partners and appreciate customers who are well informed of and convinced by what the firm is doing, and the partners who share their passion. Social businesses consider a shared set of values a source of loyalty, long-term collaboration, and positive multiplication. Further, they prefer not to engage with a partner or customer who does not share their goals. We therefore argue that, contrary to traditional business models, social business models replace the value driver lock-in with shared values:

**Proposition 3.** Social businesses are likely to replace lock-in with shared values as a value driver of their business models.

Novelty: Innovation – consistent with Schumpeterian innovation (Schumpeter, 1934) – refers to novelty achieved via new
Table 2
The value drivers of social business models.

<table>
<thead>
<tr>
<th>Value driver</th>
<th>Business Model Content</th>
<th>Responsible Efficiency</th>
<th>Impact Complementarities</th>
<th>Shared Values</th>
<th>Integration Novelties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business model</td>
<td><strong>Business Model Content</strong> <em>(What activities and/or transactions are performed?)</em></td>
<td><strong>Social Value Priority</strong> <em>(How are the activities and/or transactions linked and sequenced?)</em></td>
<td><strong>Interdependence of social and economic benefits</strong> <em>(What activities and/or transactions are performed?)</em></td>
<td><strong>Social Value Community Development</strong> <em>(Who performs the activities and/or transactions?)</em></td>
<td><strong>Social Value Integration</strong> <em>(Who performs the activities and/or transactions?)</em></td>
</tr>
<tr>
<td></td>
<td><em>What activities and/or transactions are performed?</em></td>
<td><em>Emphasis on social value over price</em></td>
<td><em>Profit as a means to generate social value</em></td>
<td><em>Growing Multipliers</em></td>
<td><em>Integration of social value creation</em></td>
</tr>
<tr>
<td></td>
<td><em>Reinforcement of social and economic actions and benefits</em></td>
<td><em>Consistency of emphasis</em></td>
<td><em>Reinforcement of social and economic actions and benefits</em></td>
<td><em>Enabling partners within the community</em></td>
<td><em>Integration of social value intermediation</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><em>Values-based selection of partners and customers</em></td>
<td><em>Enabling partners within the community</em></td>
</tr>
</tbody>
</table>
activities, new ways to structure activities, and new forms of governance mechanisms (Amit and Zott, 2001; Zott and Amit, 2010). Here, the novel particularity is the integration of social value into a firm's economic value offering and value creation. While a firm provides an offering that satisfies a demand that a traditional offering also covers, the novelty of the social business model's offering is the combination of satisfying an existing demand while also achieving a social value. As reflected in our analysis, this can include a social business's direct value generation within its value chain, the intermediation services it provides that link transactions with social benefits, the indirect social value generation through the firm's influence on its environment, or through its social projects financed by the generated economic profits. Further, social businesses focus on making their offering affordable and on actively shaping the value chain in accordance with their overall values and mission, thereby empowering their partners and contributing to the social value community development. We therefore argue that, as a value driver of social business models, novelty refers to the innovative ways of integrating social impact into a firm's value offering and creation:

**Proposition 4.** Social businesses are likely to offer novelty due to social value's integration as a value driver of their business models.

These findings are summarized in Table 2.

**Interrelation of value drivers of social business models**

Whereas each of the four value drivers – responsible efficiency, shared values, impact complementarities, and integration novelty – makes an individual contribution to the value that social business models generate, we believe that they have two additional reinforcing effects: First, responsible efficiency and shared values reinforce each other and, second, impact complementarities and integration novelties reinforce each other. Fig. 2 displays these systemic interrelations.

The reinforcing effect of responsible efficiency and shared values: The impact of this effect depends on how value is created and who is involved in value generation; that is, the business model's governance and structure dimensions. Firms willing to go an extra mile to act according to their values and beliefs are likely to meet others that share their values. In return, collaborating with partners that share the same values provides a platform for inspiration and exchange on how to act even more responsibly, thus further enhancing the firm's efficiency. For example, if a social business decides that, due to its values, it does not want to serve a certain client, this could strengthen its credibility as a social business. In consequence, such behavior might draw the attention of others who share the same values and could result in potential collaboration or support. In addition, being part of a community of partners who share key values might allow these partners to share a network with a social business that could provide them with access to potential customers whom they can serve in alignment with their values.

The reinforcing effect of the impact complementarities and integration novelties: This relationship focuses on what the firms offer; that is, the business model content dimension. Novel forms of integration emerge as a result of combining economic and social
value. These novel combinations harbor the potential for impact complementarities and vice versa. For example, a social business that addresses a niche job market that allows people with disabilities to make use of their unique talent or skill and to achieve an outstanding performance integrate a social and an economic value to form a novel value offering. Driven by the economic success of such an offering, this social business can use the profits to provide these opportunities to even more people. The more people they enable, the more economic and social value can be achieved.

Discussion and conclusion

Implications for theory

The objective of this study was to gain a deeper understanding of social business particularities and the value drivers associated with social business models. The findings of our qualitative study contribute to the current understanding of social business models in several ways.

First, we contribute theoretically and empirically to the differentiation of social business models from traditional ones and therefore respond to recent calls by Breuer and Lüdeke-Freund (2017a), Bocken et al. (2014), Sabatier et al. (2017), Seelos et al. (2011), Wilson and Post (2013), and Yunus (2010) to further explore the institutional integration of social elements into the business model concept. Based on our qualitative analysis of 17 social businesses, we identified the particularities of this form of business: a) The interdependence of their social and economic benefits in terms of profit as a means of generating social value and the re-enforcement of social and economic actions and benefits; b) their social value integration, including the direct and indirect creation of social benefits, as well as their intermediation; c) their social value priority with social value as the determining decision criteria rather than price and efficiency; and d) social value community development, which emphasizes values-based collaborations, the enabling of partners, and the growing of multipliers. In extant business model research, there is agreement that business models capture how a firm does business and how it creates and captures value (Baden-Fuller and Mangematin, 2013; Casadesus-Masanell and Ricart, 2010; DaSilva and Trkman, 2014; Demil et al., 2015; Spieth et al., 2014). However, most of these studies emerged in the context of a purely commercial value definition. Even though the commercial market logic dominates institutional business model thinking, different institutional logics, including sustainability, welfare or government logics can also shape business models (Laasch, 2017; Ocasio and Radoynovska, 2016). Following this line of reasoning, we extend previous studies by Laasch (2017) and Randles and Laash (2016) by providing additional insights into how multiple institutional logics and value perspectives influence and drive heterogeneous value offerings. While Yunus et al. (2010) regard social business models as extensions of regular business models by adding a social profit equation as a fourth business model element, we emphasized an activity-based perspective on social business models. This allowed us to reveal how the individual elements interact and depend on each other. Furthermore, in line with prior research by Sabatier et al. (2017), our findings show a very strong interdependence between economic and social profit equation.

Second, building on the original value driver framework of Amit and Zott (2001), we extended this perspective beyond the focal firm's value generation perspective and beyond the limited focus on economic value. Whereas pioneering studies in this domain consistently highlighted that social business models should follow a clear social mission and should configure resources so that the organization is economically self-sustaining (Seelos and Mair, 2007; Wilson and Post, 2013; Yunus et al., 2010), the underlying value drivers that would allow social businesses to achieve this dual challenge have not yet been identified. Extant research on conceptualizing business models show two dominant approaches (Clauss et al., 2018; Spieth et al., 2014): element-based approaches that deconstruct business models into configurations of certain interchangeable elements and activity-system-based approaches that conceptualize business models as holistic systemic structures of value-creating activities. We show how a social business model's joint consideration of social and economic goals produces unique value drivers by simultaneously considering the social and economic impact. We extend previous research on social business models based on the seminal work of Yunus et al. (2010), which consistently relied on the element-based perspective that does not cover the complex value configurations in social business models addressing potentially conflicting institutional logics. We identified four value drivers for social business models based on their particularities: 1) responsible efficiency, 2) the complementarities of the social and the economic impacts, 3) their shared values, 4) the novelty provided by integrating social value into a firm's value offering and creation, and compared our results with the value drivers in Amit and Zott's (2001; 2010) business model framework.

The first value driver we identified, responsible efficiency, addresses social business leaders' prioritization of their societal mission over their economic results. This is in line with social businesses' characteristics, with economic profitability regarded as a means to ensure their self-sustainment (Austin et al., 2006; Yunus, 2007). Further, this prioritization reflects how social business model mechanisms account for the challenges that institutional plurality presents (Mair et al., 2015; Ocasio, 2011; Pache and Santos, 2010) by emphasizing the societal mission as the dominating decision criterion. Further, this consistent focus on the social mission helps firms not to jeopardize their legitimacy and authenticity (Costanzo et al., 2014; Ebrahim et al., 2014; Sabatier et al., 2017). Impact complementarities emerged as the second value driver of social business models. While extant literature emphasizes the ambidextrous challenge that social organizations pursuing social and economic returns face (Grassl, 2012; Roy and Karna, 2015; Wilson and Post, 2013), our findings identify a beneficial relationship. We found support for Sabatier et al.'s (2017) suggestion that Yunus et al.'s (2010) original social business model concept should be amended by combining the social and the profit equations. Our study supports prior findings of evidence for social and commercial goals' mutual reinforcement opportunities (Battilana and Lee, 2014; Fosfuri et al., 2016). The third value driver of social business models is shared values, which replace the lock-in concept applied by traditional business model owners. A key challenge for sustainable business models is the management of multiple stakeholders with potentially diverging values (Anheier and Kralev, 2015; Dahlmann and Grosvold, 2017; Smith et al., 2013; Townsend and Hart, 2008;
Building on a shared understanding of values and beliefs has been shown to be a powerful way to harmonize multiple stakeholders. This is particularly important in the context of social impact generation, where the power of networks and joint values is crucial for success (Breuer and Lüdeke-Freund, 2017a, 2017b). Novelty provided by the integration of social impacts into the value offering and its creation emerged as the fourth value driver of social business models. None of the value offerings in our analysis provided any type of novelty for the market in terms of economic contribution. However, all of the social businesses we analyzed created a new-to-the-market combination of a traditional product or service offering and a social value add. This novelty type has not yet been discussed from the business model and value driver perspectives. However, the novelty type confirms the potential of combining several institutional logics within one organization to achieve highly innovative solutions with which to address grand societal challenges (Battilana and Dorado, 2010; Jay, 2013; Santos et al., 2015).

Third, we contribute theoretically and empirically to extant literature on business models as cognitive instruments for actors inside and outside an organization (Baden-Fuller and Haefliger, 2013; Baden-Fuller and Mangematin, 2013; Martins et al., 2015) by addressing the interrelations between the value drivers of social business models. Continuing in this vein, we extend the research by Ridley-Duff and Bull (2016), Sabatier et al. (2017), Seelos et al. (2011), and Seelos and Mair (2007) that emphasize social businesses’ need to blend multiple institutional logics by combining social and commercial missions their business model. In our study, we show that each of the four value drivers—responsible efficiency, shared values, impact complementarities and integration novelty—makes an individual contribution to the value that social business models generate. This follows previous research by Laasch (2017) and Randles and Laasch (2016), who argue for heterogeneous value logics co-shaped by multiple institutional logics and value perspectives. Additionally, we find that, in the context of social business models, there are two additional reinforcing effects between responsible efficiency and shared values, as well as between impact complementarities and integration novelties. By revealing both the individual value drivers and the reinforcing effects, we show that business models can serve as a ‘recipes’ for managers (Baden-Fuller and Mangematin, 2013; Sabatier et al., 2010) in the social business context.

Managerial implications

Our findings have high practical relevance. Managers of social and traditional commercial businesses, as well as social entrepreneurs, can use our findings to better understand the value drivers behind social business models. Instead of emphasizing the challenges present in any hybrid organization that combines two or more institutional logics, our emphasis was on identifying the value drivers that only emerge when combining welfare and commercial logics. While managers in traditional businesses usually have little contact with social business models, our analysis gives them an overview of the particularities that distinguish them from traditional business models. Further, by deriving the value drivers of success from a social business model perspective, we seek to inspire managers in traditional businesses to rethink their established ways of doing business. We have shown that social business models are based on distinct value drivers that differ from those of traditional firms. These value drivers combine financial and social value. Further, the drivers consider the firm, society, and individuals as value recipients. However, these value drivers allow social businesses to achieve sufficient economic returns, allowing them to be self-sustaining. In addition to providing inspiration to managers in traditional businesses, this paper could guide managers of social businesses and social entrepreneurs regarding how to design and review their social business models to enhance their capability to create social impacts.

Limitations and avenues for future research

While our study has provided a variety of propositions that contribute to the literature on social business models, there are limitations concerning our research method, data sample, and potential bias.

First, we followed Amit and Zott (2001) and Zott and Amit’s (2010) common understanding of value drivers that defines the strategic means by which value is created in a business model. Their set of four value drivers was conceptualized with commercial value in mind. Our analysis has revealed that there is a different set of value drivers for social businesses. In addition, we have shown how to reinforce the mechanisms between the value drivers to a social business model context. However, this research does not consider the level of balance between a firm's social and economic orientation. While the firms in our sample all assigned high priority to social value rather than economic value, future research should address how a different balance, or priority level, assigned to social value could change the underlying value driver constellations. Furthermore, it would be interesting to apply other business model frameworks, such as Casadesus-Masanell and Ricart’s (2010) understanding of a business model as a set of choices and consequences, to the social business model context.

Second, in terms of the data and our focus on German social businesses, future research should confirm our results by replicating our approach in different geographic and cultural contexts. The identified meta-features should be further operationalized as measures that would allow the quantitative empirical testing of the identified value drivers to enable the empirical testing of our propositions.

Third, we point out the retrospective nature of our paper and potential information biases. Despite careful data collection and data analysis, we cannot exclude potential information biases; we sought to design our questionnaire accurately by double-covering our questions to reduce such biases. We examined interviews, annual reports, and company websites. Nonetheless, researchers should apply forward-looking research methods, such as simulation or experimental study designs, and should vary the research questions to reduce potential information biases.

Fourth, the developed framework of social business models’ value drivers only provides a snapshot in time of social business models, which does not enable us to discuss process aspects of social business model development. Lacking longitudinal social
business data, our study did not take the evolution of social business models over time into consideration. We therefore urge researchers to concentrate on longitudinal social business model studies, specifically emphasizing their evolution and social value generation. In doing so, future research could possibly identify typical configuration patterns in the formation of social business models over time. This is in line with recent suggestions to examine business model evolution from a systems perspective (Velu, 2016) and to focus on transformation towards sustained value creation (Achtenhagen et al., 2013).

Appendix A. Data structure: Sample quotes

<table>
<thead>
<tr>
<th>Sample quotes</th>
<th>First-order categories</th>
<th>Second-order categories</th>
<th>Aggregate dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>“We sell our products to support our social mission.”</td>
<td>Profit as enabler of social mission</td>
<td>Profit as a means for social value generation</td>
<td>Interdependence of social and economic benefits</td>
</tr>
<tr>
<td>(I1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“There are many things that we just do in-between everything else without anybody even noticing. Two weeks ago, for example, we organized a breakfast for eighty senior citizens. This provides us with no economic returns. Instead, it comes with costs and time investments. However, this is what we want to invest in.” (I16)</td>
<td>Profit as a means, not a goal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“We are not aiming to maximize profit with what we do. It is about satisfying real needs. We see profit as a simple means to help satisfy human needs.” (I13)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Our main objective is to create employment opportunities for people suffering from Asperger's syndrome. At the same time, we thereby enhance their quality of life, we help unburdening society as unemployment decreases, and more people pay into social security systems.” (I10)</td>
<td>Social benefits create positive economic returns</td>
<td>Re-enforcement of social and economic actions and benefits</td>
<td></td>
</tr>
<tr>
<td>“Our economic success and social impact run in parallel – the more economic success we have, the more people receive a qualification and job placement, the more breast cancer consultations are conducted, the earlier indications of cancer are detected, the better the patients' survival chances, and the lower the treatment costs for the health insurance system.” (I12)</td>
<td></td>
<td></td>
<td>Parallel growth of economic and social returns</td>
</tr>
<tr>
<td>“All our products come with an ethical value added. Whether it is eco-farming (ideally in line with ‘Demeter’ standards at a global scale), or the projects that we initiative in developing countries such as Ethiopia or Afghanistan to establish sustainable and fair working environments. This does not necessarily have an immediate effect on the skin, but that has a social impact that each of our customers values in their purchases from us.” (I3)</td>
<td>Direct creation of social value through products and processes</td>
<td>Integration of social value creation</td>
<td>Social value integration</td>
</tr>
<tr>
<td>“We have defined requirements and standards for our products. This means that we have our own definition of what we accept as textiles, and these guidelines are market-leading and relevant for all our partners around the world.” (I5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Whenever a raw material we need is not available in line with our organic standards, we create it. This also means we get actively involved.” (I3)</td>
<td>Indirect creation of social value through partners and customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
“Whoever owns the money is the one that has power and that is responsible. We ensure that the money people invest with us is used for the right things … in line with our transparently defined investment criteria. It is simply about consciously thinking about where to invest and being aware that you can achieve something simply by ‘parking’ your money somewhere else. And this is what we offer.” (I11)

“For all our products, there is no single price component that only seeks to maximize profits.” (I1)

“We don’t ask for a higher price to pretend that the products are of higher quality. We offer high-quality products at reasonable prices. This is different from many brands where a higher price is supposed to mean a higher value of the product. We don’t do that.” (I16)

“Since we don’t have to pay a dividend to financially motivated shareholders, we have the freedom to decide what we do with our earnings. For example, in case we want to use mango butter (an ingredient for our cosmetics) in line with organic standards, we see that this does not exist in the market. So we start a project in India with an NGO and some farmers, who produce it for us according to standards, and we are capable to pay what it takes to achieve the product quality and working conditions, even if it costs us ten times as much as the conventional market price for mango butter.” (I3)

“We also concentrate on ecologically sustainable production processes, so we look at how resource-efficient, how much water, how much electricity and how much gas we have used. This is not about cost, but about saving natural resources.” (I5)

“Regional sourcing is important for us. Wherever possible, we emphasize regional products, given that they can provide a good quality.” (I16)

“Our customers have the opportunity to follow the entire value chain of a T-shirt, ranging from the raw cotton wool, to spinning mills, knitting mills and dyeing mills, which allows for emotional contact with local farmers.” (I13)

“We obligate ourselves to always display to our customers what we are doing, where we are investing. This way, our investment customers can always track that we are honest in what we are promising them.” (I14)

“It is very important for us to collaborate with partners that share the same values and beliefs.” (I16)

“We have identified a number of industries that we would not serve, such as the arms industry.” (I4)
“We actively influence the value chain. For example, we demand that our suppliers who tailor our textiles use certain organic wool from one of our projects in West-Africa – in these situations, we very proactively influence the value chain from the very early steps when the wool is produced.” (I5)

“We want to make our partners economically free. When we start a project, for instance, in Burkina Faso to produce shea butter, we encourage the local people to also sell to other cosmetics companies to ensure that they generate revenues and to make them independent from us” (I3)

“We have different models. Small firms pay less than large ones, and we also look at each firm and, most importantly, at the position.” (I4)

“We emphasize a very personal dialogue with our suppliers. It is important for us to establish high commitment from both sides. We have binding guidelines for our collaborations, but this is not something we just put on the table. We develop them in partnership with new suppliers.” (I5)

“Investors provide not just the money, but the contacts and understanding of the community that we urgently need.” (I4)

“It is also about our brand value. People know us. They are loyal and talk about us. We cannot afford to disappoint them – that is our responsibility and what we owe them.” (I7)

“It is our job to tell people about the working conditions in the textiles industry.” (I13)

“One of our goals is to educate people about organic products. We talk to our customers, but also to other actors.” (I16)

Encouraging and helping partners

Dialogue and Personal interactions

Value added of investors

Supporters and fans of the social value as multipliers

Growing multipliers

Convincement as basis of loyal customers

References


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