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Social Entrepreneurship, Open Business Models and
Embeddedness in Stakeholder Networks:
The case of Valemour

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Abstract

*“About all that I told you...
well, erase everything and write:
Trust.
Stop.
That’s your report.”*

Marco Ottocento, founder of *Valemour*

Social Entrepreneurship is gaining crescent popularity, despite still lacking of a clear definition, able to set proper boundaries at this realm and to give recognition to both its entrepreneurial and social side (R.L. Martin, S. Osberg, 2007).

As Dacin, Dacin and Tracey wrote: *“Our next area of promise is to call for a greater focus on Networks and Social Entrepreneurship. An interesting aspect to consider vis-à-vis Networks is the duality of the term ‘social’ in understanding the activities associated with social entrepreneurship. Based on our definition, we view social entrepreneurs as focusing on a social mission; they may also be quite social in the manner in which they carry out their activities.”* (Dacin, Dacin and Tracey, 2011)

This study contributes to expand our understanding of the role of Open Innovation and *Embeddedness* in Stakeholder Networks (or *Ecosystems*) on Social Business Models.

The purpose is to participate to the ICSEM (International Comparative Social Enterprise Models) project, *“the largest research project ever undertaken on Social Enterprise and Social Entrepreneurship”*¹.

Launched in 2013, this ambitious project *“aims to compare social enterprise models and their respective ‘institutionalisation’ processes across the world.”*¹

The ICSEM Project is carried in the framework of the SOCENT Research Programme on *‘Building interdisciplinary and integrated knowledge on social*

¹ <http://www.iap-socent.be/icsem-project>

entrepreneurship and social enterprise'¹ by the EMES international community, and jointly coordinated by Jacques Defourny (CES - University of Liege) and Marthe Nyssens (CIRTES – Catholic University of Louvain).

Deepening the recent outline for Open Social Innovation (H.Chesbrough & A.Di Minin in H.Chesbrough, W.Vanhaverbeke & J.West, 2014), this study presents a model of *Adaptive Platform* (H.Chesbrough, 2007) for Social Entrepreneurship.

Social Entrepreneurial Organizations implementing this model, co-create different Business Models adapting the *Platform* at the needs and opportunities of current or potential partnerships.

Valemour Social Brand can be seen as an example of such a *Platform*. Leveraging a Network of Stakeholders, it is able to access to Value-Creating Resources and achieve Systemic Change.

The Social Brand was created by the Italian '*Più di un Sogno*' Foundation, and is managed by the '*Vale un Sogno*' Cooperative. The Foundation takes care of the well-being of people affected by Down syndrome in every phases of their lives.

One of the main challenges of the Foundation is to provide adults affected with Down syndrome with a job, which can give them independence and satisfaction.

The Italian law 68/99 obligates companies to hire a number of disabled employees depending on the total labour force. However, Entrepreneurs prefer to fulfil the requirement employing people with minor disabilities, as they perceive hiring people with mental diseases to be extremely more difficult.

Through the '*Vale un Sogno*' Cooperative, the Foundation tackles this double-failure, struggling to bridge the gap between Adults with mental diseases and the labour market.

In fact, the Cooperative delivers free consultancy services to Entrepreneurs, advising them on how to insert adults with mental diseases. Moreover, it provides perspective employees with free training, using an innovative method based on simulation.

“Our real aim is the model of relationship with the Enterprises that we created. What we called ‘Formative Hub’ has a model of reference, regarding the contact and relationship with Enterprises. (...) Our formative Hub should not be just work training, but a real Service for Enterprises... for the same reason that we, Valemour, we are the match between Profit and Nonprofit. My service is not for the guy – I know his/her potential because I’ve known him/her since he/she was a baby – my service is for the entrepreneur.”

Marco Ottocento, founder of *Valemour*

From the 20th to the 22nd of April 2015, I went to Verona, in order to gather some direct information about *Valemour*’s Business Model, its relationship with its Stakeholders, and the Social Network the project is *embedded in*.

I designed my Field Research using different methodological approaches, from the structured interview to informal talks.

I administered the questionnaire operationalized by SOCENT for the ICSEM Project, integrated with a ‘*Common Tone*’ section (L.Mongelli, F.Rullani, P.Versari, 2014) Section (cf. Annex 1). I also ideated some semi-structured *ad hoc* questions, based on both the framework and purpose of this study.

Finally, I had informal one-to-one conversations with *Valemour*’s staff, as well as with external Partners and Stakeholders.

I found out that using the ‘Social Brand’ as a ‘*Platform*’, the Cooperative engages Stakeholders in different ways, co-ideating specific Business Models.

“With the Enterprises one can study a thousand of different models, what is important is that the models we study can engage our guys to make each product unique... because this is what is awesome here!”

Marco Ottocento, Founder of *Valemour*

These Stakeholders can be small excellence firms, as well as renowned Italian Corporations such as Geox and K-Way.

Some partners just donate products for customization, while others are committed to *Valemour* even co-producing fashion products, or letting the Cooperative enter the Value Chain becoming a supplier of semi-manufactured products.

“I mean, we do not want to become the most important Brand in the world, make hundreds of millions in revenues... our aim is the work inclusion: Co-Branding means that we work together with Enterprises. (...) Therefore, we should be able to speak with others, not as enemies, but as Partners!”

Marco Ottocento, Founder of *Valemour*

Through this Social Entrepreneurial project, the Cooperative and the Foundation are able to reach two Key Resources:

- Funding, for financing the work integration activities of the Cooperative;
- Jobs, for people affected by Down syndrome that cannot enter the labour market (for various reasons), and must work within the Cooperative’s boundaries.

In about three years, *Valemour* has experienced an exponential growth in the number of partnerships, in the assets involved and –interestingly – in the complexity of the Business Models involved.

Valemour rapidly scaled its impact, engaging and coordinating a countrywide Network of entities – sharing the same work integration aim – in the operations related to its main product partnership.

Moreover, the Social Brand engages Stakeholders like employees and volunteers, friends, enthusiasts and customers in the so-called *Ethical Fashion Dreamers* Community.

“We call our target customer the ‘Ethical Fashion Dreamer’, because he/she must be one who likes Ethics but without exaggerations...I mean, he/she can accept a Brand, if we are talking about Fashion. He/she can be a Fashion Victim, but he/she should be open-minded also in front of unbranded products. What is most important, he/she has to be a dreamer.”

Marco Ottocento, Founder of *Valemour*

For these and other reasons, *Valemour* is a Best Practice of how Stakeholders’ engagement and Strategic Alliances (R. Gulati, 1998) can represent powerful tools in the hands of Social Entrepreneurs.

In the same way, the case of *Valemour* shows how Network effects (R.Gulati, N.Nohria & A.Zaheer, 2000) and *Embedded Ties* (B. Uzzi, 1996) can shape Innovative Business Models to deliver and create Value.

“Everything I told you, if you summarize it, what do we do?”

We do an ‘Economy of Relationships’!

Relationships are needed for this all: We create Relationships with our products, we create Relationships with our name, we create Relationships with the Enterprises, we create Relationships between the guys and their families, we create Relationships between the colleagues and the guy...”

Marco Ottocento, Founder of *Valemour*

This Case Study empirically supports the recent theoretical inquiries that analyse Social Entrepreneurship borrowing insights from the *Open Innovation* framework and *Social Network* theory.

Authoritative scholars, indeed, linked the entrepreneurial side of Social Entrepreneurship to Innovation involving new products, processes or Business

Models (Mair & Martí 2006, Peredo & McLean 2006, Di Domenico, Haugh & Tracey 2010).

As Porter and Kramer pointed out: “*A whole generation of social entrepreneurs is pioneering new product concepts that meet social needs using viable Business Models*” (Porter and Kramer, 2011).

The “*positive theory of Social Entrepreneurship*” proposed by Filipe M. Santos in 2012 (F.M.Santos, 2012) set the difference between Social Enterprises and Commercial Enterprises in the former’s focus on Value Creation versus the latter’s focus on Value Capture.

A focus on Value Creation means seeking for *Sustained Solutions*, and not for Sustained Advantages: the focus shifts from the *Organization* to the *System* mobilized for a Social Solution.

In a Social Entrepreneurial framework, this Social Solution is embodied in a viable Business Model, as a combination of mobilized Resources.

The predominance of Value Creation on Value Capture set up an Uncompetitive Environment for Social Entrepreneurship, which encourage Open Innovation practices based on Resource and Knowledge sharing.

Recent experiments held by the Ashoka Network put in contact Social Entrepreneurs with Open Source Experts (A.Clay & R.Paul, 2012) and confirmed the benefits of applying Open Source thinking to scale Social Business Models.

This *Open* view abandons Organization-centred theories, and embraces a ‘*Stakeholder approach*’, for instance “*turning beneficiaries into co-creators*”, and “*moving from enterprise to Ecosystem.*” (*ibid.*)

“*Accelerating impact, not Organizations, became our credo*” (*ibid.*)

In 2014, Chesbrough and Di Minin defined Open Social Innovation “*the application of either inbound or outbound open innovation strategies, along with Innovations in the associated Business Model, to Social Challenges*” (H.Chesbrough & A.Di Minin, 2014).

The idea that “*it is impossible to detach the agent (social entrepreneur) from the structure (community, society, etc.)*” (J.Mair and I.Marti, 2006), led authors to propose insights from Social Network studies – like the effect of *Embeddedness* (B.Uzzi, 1996) – for analysing Social Enterprises (Dacin, Dacin & Matear, 2010, Dacin, Dacin & Tracey, 2011, George, McGahan, Prabhu 2012).

In particular, this study highlights two major ways in which *Embeddedness* in Stakeholder Networks impacts on Social Business Models:

1. Influencing and Shaping Strategic Partnerships

The *Embeddedness* of Social Entrepreneurial Organizations in Networks of relations affects the way they engage Stakeholders in Strategic Alliances, through speeding the identification of potential partners and the gathering of valuable information about them (R.Gulati, 1999).

“The ‘Economy of Relationships’ is a Network! Networking...is a real job...it implies the creation of Relationships. (...) When Giving is before Receiving, Trust is generated!

Therefore, I first have to Give to the Enterprise: I go to the Entrepreneur and offer him/her a service, and do you know how do I offer my service? Free of charges. Do you know why I offer it free of charges? Because it is in my own interest that a guy is employed! Then, without claiming anything, the ‘Free Giving’ comes back with interests. I have never seen an Enterprise in which I inserted one of our guys, that did not helped us in some other way, (...) also opening new Relationships!”

Marco Ottocento, Founder of *Valemour*

Networks of *Embedded ties* (B.Uzzi, 1997) are also prominent channels for *Trust, Reputation* and *peer-to-peer Accountability*, hedging most of the risks to nonprofit related to Profit-Nonprofit partnerships (A.R.Andreasen, 1996).

“Networking has just a word, and it is kind of weird that you have written it before I told you...maybe you understood before I told it... it is Trust!”

Marco Ottocento, Founder of *Valemour*

2. Scaling Social Impact

An *Ecosystem* approach based on Networks of relationships and Social Capital can help Social Entrepreneurs in scaling the Social Impact of their Business Models. Moreover, it can help understanding the Key Success Factors in scaling, as well as the right strategies to choose, with respect to different environments (B.Cannatelli & B.Smith, 2011).

Going further on this path, this study analyses how Social Entrepreneurial Business Models can reach the most advanced level of *Openness*, i.e. configuring as an *Adaptive Platform, for Business Model Co-Creation* (H.Chesbrough, 2007).

“If we think that we have to subsidy each other, as Persons, (...) maybe the world will start changing!

I am quite exaggerating, right? Naturally, we start from little things to say that we want to change the world!

However... when you set up a Brand...when you create a product...you have to think that with that product you are going to change the world!”

Marco Ottocento, Founder of *Valemour*

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