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Marten J. Witkamp, Rob P. J. M. Raven and Lambèr M. M. Royakkers

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Eindhoven Centre for Innovation Studies (ECIS), School of Innovation Sciences, Eindhoven University of Technology, The Netherlands
Strategic Niche Management of Social Innovations: the Case of Social Entrepreneurship

Marten J. Witkamp¹, Rob P. J. M. Raven² * and Lambèr M. M. Royakkers³

* Corresponding author

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Abstract

Strategic niche management (SNM), a tool to understand and manage radical socio-technical innovations and facilitate their diffusion, has always departed from a technical artefact. Many radical innovations, however, do not revolve around such an artefact. Social entrepreneurship is a new business model that combines a social goal with a business mentality and is heralded as an important new way to create social value such as sustainability. This study examines if and how SNM can be applied to such a social innovation. It identifies theoretical and practical limitations and proposes solutions. The main conclusion is that SNM can be used to analyse radical social innovation, although it requires rethinking the initial entry point for research and management. Exemplifying quotes are proposed as an alternative. Second, this paper suggests using values to describe niche-regime interaction as a better way to anticipate future niche-regime interactions.

Keywords

Multi-Level Perspective, Social Entrepreneurship, Social Innovation, Socio-technical Regime, Strategic Niche Management, Value

¹ Marten J. Witkamp is researcher at the School of Innovation Sciences of Eindhoven University of Technology (The Netherlands).
// work@martenwitkamp.nl // +31 40 247 3408

² Rob P. J. M. Raven is assistant professor in technology studies and sustainability at Eindhoven University of Technology. // r.p.m.raven@tue.nl // +31 40 247 4413
Eindhoven University of Technology, IPO 2.26, Postbus 513, 5600 MB, Eindhoven, Netherlands

³ Lambèr M. M. Royakkers is associate professor in the ethics of technology at Eindhoven University of Technology.
// l.m.m.royakkers@tue.nl // +31 40 247 4693
Eindhoven University of Technology, IPO 2.36, Postbus 513, 5600 MB, Eindhoven, Netherlands
1 – Introduction

As innovation research has shown, there are two types of innovation: incremental and radical (Abernathy 1978, 68-81). The latter type is not based on previous designs and also incorporates changes in, for example, cognitive frameworks and infrastructure, such as when electric light bulbs made artificial lighting much cleaner and more easily accessible than improvement in oil lamp designs would ever allow, but also required the deployment of a wide network of electricity distribution. Nevertheless, such radical innovations are at the time of market introduction always immature relative to incumbent technologies (Schot & Geels 2008, 1), and cope with amongst others a lack of an established network of actors and dominant rules of design. Social entrepreneurship, as a new way of doing business and achieving social goals simultaneously, is such a potentially radical innovation. See textbox 1 for a brief description of social entrepreneurship.

Text box 1: a short introduction to Social Entrepreneurship

Social entrepreneurship has attracted quite some interest in the past several years, although there is still confusion over what it really is. Peredo & McLean (2006) analyse literature on both the entrepreneurial and the social aspect of the concept. Concerning the entrepreneurial half, Dees (1998) is credited with summing up three important characteristics of social entrepreneurial activity, namely 1) “the recognition and (exploitation) of new opportunities to serve (the social) mission”; 2) “engaging in a process of (...) innovation”; and 3) “acting (...) without being limited by resources currently in hand”, i.e. thinking big (Dees 1998, 4). In addition, as amongst others Tan et al. (2005) have noted, is the social entrepreneur’s 4) “capacity to endure risk.”

The crux, however, is the application of these entrepreneurial characteristics to a type of mission that is not solely focused on financial profit. Instead, as Peredo & McLean formulate, a social entrepreneur will use this entrepreneurial stance to 5) “aim either exclusively or in some prominent way to create social value of some kind” (Peredo & McLean 2006, 64).
There have been many debates over how prominent the social goal should be in relation to the financial one for an organisation to qualify as social-entrepreneurial. Peredo & McLean argue that it is impossible to draw a distinguishing line between enterprises whose social goal is subordinate to its financial one and those for whom it is not. Moreover, they find the distinction pointless, since “the underlying point is surely that the pursuit of socially valuable outcomes is something worth identifying and fostering” (Peredo & McLean 2006, 63). In their view, social entrepreneurs can operate in a continuum from non-profits on one extreme to ‘normal’ firms that also have some sort of social goal, for whatever motivation, at the other extreme.

This definition is supported by existing case study descriptions that observe that social entrepreneurship seems to occur across all sectors and in all different shapes and sizes, including on both sides of the previously divisive line between for-profit and not-for-profit (e.g. Bornstein 2004; Borzaga & Defourny 2001, Leadbeater 1997, Mair et al. 2006, Nicholls 2006).

This paper focuses on organisations that auto-identify with social entrepreneurship, as further explained in section three. These organisations, after analysis, appear to follow the Peredo & McLean definition set out above. About 46 percent of the Dutch case study respondents operate under the *Sole Proprietorship* legal form, 28 percent are a *Foundation*, and 21 percent are a *Private Limited Company (Ltd.)*. The other 14 percent consist of either a *Partnership* or a *General Partnership*.

Innovation scholars suggest that there is often a period of mutual adjustment between innovator’s core values and those represented by the dominant regime (Smith 2007, 443). Depending on the level of (in)compatibility between the innovation and the regime(s) it challenges – in this case, social entrepreneurship versus both the business and the civil society regimes – core values of the innovation that may become jeopardised in the search for a greater market, for example, when successful ecofood brands were bought by large
food producers who incorporated them into the global food chain, in opposition to the ecofood value of using local produce (Smith 2007). This dilemma creates a case for a study of the translation opportunities and threats that social entrepreneurship is likely to encounter in the near future. In another paper currently under review, this issue is further explored, resulting in recommendations for the growth of social entrepreneurship (Witkamp et al. 2009). Here, social entrepreneurship is a case study to research the applicability of Strategic Niche Management (SNM) to social innovations.

SNM is an approach that was developed “to understand and influence the early adoption of new technologies with high potential to contribute to sustainable development” (Schot & Geels 2008, 1). It is a part of the emerging research tradition on socio-technical transitions and understands radical innovation as a process of niche development against the backdrop of dominant regime(s). This paper makes two additions to theory. First, social entrepreneurship is not a technological innovation in the classical sense of the word ‘technology’. A technology usually culminates in an artefact that does something. Technology has a tangible dimension, many would argue. Even though the school of innovation sciences upon which SNM is based uses a more sociological approach to technology – looking at for example involved actors, laws, consumer expectations, etc. – it is commonplace for studies to take a technical artefact as an entry point (Hegger et al. 2007; Genus & Coles 2008, 1441). Social entrepreneurship is not so tangible, nor can it be classified as an artefact (although a social entrepreneur’s business will in most, if not all cases be socio-technical in nature). It is a new way of doing business, or a new way of pursuing social goals. Hence, while being socio-technical in nature, the innovative element mainly pertains to its social dimensions, and we will therefore refer to social entrepreneurship as a social innovation in the remaining part of the paper. However, as we will discuss in section 2, social entrepreneurship is no mainstream activity. It is characterised by high levels of uncertainty about concepts, there is a wide variety in financing schemes and business models and many barriers remain for wider diffusion. Hence, social entrepreneurship is a “hopeful monstrosity” (Mokyr, 1990) that carries a promise for a better
future. The main research question of this paper is whether SNM can be used to examine social entrepreneurship. More generally, we address the question how SNM can be used to analyse social innovations?

The second addition is inspired by perceived limitations of current theories to deal with interactions between the innovation’s niche and prevailing regimes. The majority of SNM studies are *ex-post* analyses and explanatory. For the used case study of social entrepreneurship, a method of anticipating niche-regime interaction problems and opportunities is developed.

The remaining part of this paper is as follows: section 2 discusses the theoretical aspects of applying SNM to social innovations, section 3 applies the adapted SNM framework to the case of social entrepreneurship and section 4, finally, analyses this application and draws conclusions.

2 – Strategic Niche Management of Social Innovations

2.1 – Socio-technical regimes

A central concept in SNM is that of the socio-technical regime. Evolutionary economists Nelson and Winter coined the phrase “technological regime” to portray a set of engineering heuristics that guide incremental technological development on a particular “technological trajectory” (Nelson & Winter 1982, 258). Rip and Kemp (1998) and Geels (2004, 13) build upon this concept and broadened it to “socio-technical regime”. Geels conceptualises the concept as a number of interacting regimes in different domains, namely in the technological, scientific, political, socio-cultural, and user- and market-domain, centred around a particular technological system or artefact (figure 1). A regime, in general, consists of shared rules embedded in dominant designs and ways of achieving things. Meta-coordination between the five regimes is what finally enables and constraints the way that a given social function is fulfilled.
2.1.1 – Regime (in)stability and change

A stable socio-technical regime has many advantages: e.g. it gives all actors a degree of security regarding future progress (Raven 2005, 26), allowing for investments to be less risky. Moreover, it saves time and money to not have to reconsider all design options every time current designs are improved. Sometimes, however, a regime meets its limits. It is either no longer able to live up to user preferences and societal expectations, there are technical limitations, or competing technologies perform better. Outside pressure can cause a regime to collapse and a new one may take its place. Generally, however, prevailing regimes are extremely stable and resistant to change. And while niche developments can hold great promise, they do not immediately live up to expectations because they are immature when they enter the market. Generally, they also conflict with the way society is currently organised. How, for example, can an organisation be rewarded for its good social performance when there are no accepted standards to measure this performance?

According to SNM, the immaturity and incompatibility of such new radical innovations is not an exception, but rather the rule. Hence, these potentially disrupting innovations initially tend to develop in (partially) protected niches.

2.2 – Niche

Radical innovations initially always hold more promises than actual performance. If they would be immediately exposed to full market competition, they would not be likely to survive. On a longer term, the market selection criteria can change and the new technology can mature and deliver better performance, both of which can eventually lead to a favourable position for the newcomer versus the incumbent, but on the short term this is usually not the case. Hence, Schot et al. (1996) propose the concept of “technological niches”: artificially created protected spaces where experiments with radical innovations can lead them to mature. Ultimately, the goal of niche experimentation is the creation of new rules and
heuristics that guide the further development of the innovation and thus reduce the involved risk and increase its performance (i.e. helping the niche creates the traits that make regimes so beneficial). Indeed, the process of developing new rules and heuristics increases the stability and structuration of the niche (Geels 2002).

The strength of the niche, i.e. the degree of its stability and structuration, is the result of interplay between three niche processes (Elzen et al. 1996). Firstly, articulating and negotiating *shared expectations* by the participating actors give direction and legitimacy to the niche. Secondly, a growing *social network* including all relevant types of actors within the niche both creates opportunities for stakeholder interaction and a micro market that provides the resources necessary for experimentation and temporary protection. Thirdly, and most importantly, a *learning mechanism* (between experiments, between actors, etc.) is a vital ingredient for the establishment of new rules and design heuristics. SNM argues that the better these three processes and their interactions are managed, the greater the chance that the niche can develop into a market niche, transform the existing regime or become a viable alternative to an existing regime.

### 2.3 – Niche-regime interaction

Early optimism regarding the potential of niche experimentation to guide new technologies to a successful market introduction has been challenged (e.g. Hoogma et al. 2002, 196). Several authors have argued that SNM focuses too much on the internal niche processes, such as the shaping of a network and the protection of a space for experiments (Raven 2005, 51). Raven (2005, 33) therefore explored the interaction between niches and regimes and concluded that internal niche processes are still important for a niche’s probability of success, but that this also depends on opportunities that the regime offers, in particular by way of its (lack of) stability. A less stable regime leads to more opportunities for niche development. The causes of regime instability – or even methods to describe and compare levels of instability – have to a large extent not been investigated. Raven (2005, 264) argues
that ‘landscape developments’, such as climate change and an ageing population, determine regime (in)stability. Nevertheless, this focus is not satisfying, because such observations can be made ex-post, but hard to make ex-ante. There are always developments going in multiple directions and any regime is influenced by hindering landscape developments, making it hard to anticipate the effects on future regime instabilities. This observation leads to a first addition to SNM theory.

2.4 – Adaptations of theory

2.4.1 – Niche-regime interaction: focus on values

While a niche is created in opposition to an incumbent regime and, inherently (at least partially) incompatible with that regime, it will not usually call for a complete revolution of human beliefs or values. This paper attempts to achieve a greater level of detail concerning the level of compatibility between niche and regime by focusing on these values. Smith (2007) already hinted that, in the process of translation from niche to a market niche or regime, values may be sacrificed. In one of the case studies Smith examined, the ecofood niche lost some of its original values in the translation from locally driven small scale producers (with small market share) to the globally marketed and transported ecofood branch (with much larger market share). This leads to a translation paradox: while a larger market share for the niche can be desirable, at what point does a further sacrifice of values transform it from a radical to an incremental innovation?

The identification of the shared and conflicting values between niche and regime is expected to lead to a better understanding of their (in)compatibility, and to a better anticipation of potential future conflicts than considering levels of stability.

2.4.2 – Technological versus social innovation

A second addition to theory concerns the earlier mentioned focus on technological artefacts in SNM. This paper focuses on a non-technological or social innovation. Although what constitutes ‘technology’ is subject to discussion, and managerial and legal innovations have
in other contexts sometimes been treated on a par with the more strictly technical ones. It is not from the outset clear that the concept of social entrepreneurship can be analysed with SNM. In other words, how important is the technological qualification for the use of SNM? According to Schot and Geels, the types of innovations that are addressed 1) are socially desirable and 2) “have to fight against existing systems and often face a mismatch with regard to existing infrastructure, user practices, regulations, etc.” (Schot & Geels 2008, 2), i.e. they are radical. On the same page, they point out that innovations that are studied with SNM are incapable of immediately competing on mainstream markets, i.e. they must be immature. While many references to the technological nature of the studied innovations are found in literature, and most vocabulary seems optimised with (sustainable) technology in mind, there is no definition of SNM that delimits it to the use with only technological innovations.

Studying and doing social innovations have been approached from different angles (cf. Mumford, 2002; Mulgan, 2007; Dawson et al., 2010; Raven et al, 2010). The aim of this paper is not to review this body of literature. Rather, we aim to study whether the approach of SNM can be extended to study not only technological innovations but also social innovations. From this perspective, especially the work by Hegger et al. (2007) is relevant. Hegger et al. (2007) have not so much investigated whether studying social innovations is possible with an (adapted) version of SNM, but criticised the approach for putting too much emphasis on technological experimentation rather than on experimentation with forms of social organisation. They provide the example of sanitation concepts to propose an alternative niche strategy focussing on concepts of sustainable socio-technical regimes rather than starting from technological solutions. Technologies can be used as steps in realising a concept, but also social innovations such as innovative social arrangements. Hence, their Conceptual Niche Management corresponds to Transition Management (Loorbach, 2007), which descends from shared visions down to experimentation and, through monitoring and social learning, back up to a new round of visionary processes. The
difference, according to Hegger et al. (2007), is that the process does not start from transition arenas but from a concept of sustainable transformation. Hence, whereas Strategic Niche Management reserves a special place for technology as its entrance point for niche building, Conceptual Niche Management (and Transition Management) take as entrance point that of sustainable concepts or shared vision development in arenas. A third approach is to take social groups as entrance point for niche building. Especially the work by Vergragt et al (1995), Brown and Vergragt (2008) and Seyfang and Smith (2007) is relevant. These contributions have emphasised the potential and actual roles of specific social group in niche building, i.e. the role of citizen groups and NGO’s (Vergragt et al.) and local communities (Seyfang and Smith). The research in this paper can be positioned as part of this research on what could be called ‘Social Niche Management’. Instead of starting from a novel technology or a novel concept, we explore how transition analysis (and potentially governance) can start from an emerging and still heterogeneous social group that is experimenting with new business models and financing schemes. Which entrance point is most promising for sustainability research or governance, however, will most likely depend on the research question or policy context at hand.

One additional issue deserves attention: the use of a technical artefact around which both niche and regime are defined. Social entrepreneurship is not an artefact but a new way of doing business and solving a social problem driven by an emerging social group. This means that both niche and regime analyses in this case need an entry point other than an artefact. The entry point will have to take on a role similar to that which the artefact currently has, namely a starting point for analysis that inspires a certain natural understanding of what niche and regime are about. This paper uses quotes for this role, although any representative social entity is in principle possible. The criteria used for this case study were that quotes should a) be deemed by people to exemplify the respective regime, and b) represent the core values of the respective regime. It is possible that multiple quotes satisfy these criteria for any regime and that different researchers would each find a different quote
for the same regime. We would argue that this is not a problem, as long as the criteria for finding the quote are explicit.

3 – Case Study: The Rise of Social Entrepreneurship in the Netherlands

Although social entrepreneurship has seen a steady increase in both public attention and practitioners over the last decade, there are still many uncertainties with regards to what we can truly expect from this development. Some early observations in the course of this research suggest that the niche is promising but in need of higher levels of stability and structuration. For example, the incongruity between social entrepreneurs’ ways of describing value and the way that investors judge returns, and the dispute over the name that should be given to this new way of combining a social goal with an entrepreneurial attitude – very few agree on the term social entrepreneurship – combined with on the other hand a fast growing number of organisations and innovative solutions. Also, social entrepreneurship has an explicit sustainability promise that makes it interesting from an SNM perspective. The case study establishes in which directions the need for stability and structuration is highest and, by allowing or not allowing for such an assessment, whether the two proposed adaptations to theory need to be rejected or deserve further application. Data sources included, next to a literate review of social entrepreneurship in general and specifically in the Netherlands, an internet survey among 57 social entrepreneurs and 8 in-depth interviews. The field of social entrepreneurship is emergent and its boundaries are contested. Definitions may be as diverse as ranging from only organisations with a truly triple bottom line to all organisations including some kind of social goal in its mission statement (including traditional businesses with corporate social responsibility activities). In this particular research we decided to take into account only those entrepreneurs and businesses who define themselves as social entrepreneurs. Hence, the survey and interviews included only organisations and entrepreneurs who see themselves as being social entrepreneurs, or in terms of SNM,: those that consider themselves as to be part of the social entrepreneurship niche. The case is described elsewhere in more detail (Witkamp et al. 2009). For the purposes of the current
article, we limit ourselves to a selection of the results of this case study, focussing on a discussion of the three internal niche processes and, subsequently, niche-regime interactions.

3.1 – Case Study Results

3.1.1 Internal niche processes

Concerning the social network, the survey amongst Dutch social entrepreneurs shows that it exists of relative small social entrepreneurship firms with most of them established in the past five years. When asked to name important partners, the organisations most frequently named were governments related agencies such as Chamber of Commerce and Syntens (an organisation connected to the Ministry of Economic Affairs to stimulate entrepreneurial activities and innovation) as well as dedicated intermediary organisations for social entrepreneurs including the Dutch foundation for Social Entrepreneurship (SSO) and The Hub.

Also the interviewee acknowledged that social entrepreneurship has started to take off in the last five years. Important network-builders SSO and The Hub were initiated roughly simultaneously at the time, although there were already a number of previous Hubs in other countries (and still are). While there had been individual social entrepreneurs before then, they were not connected and not acknowledged as such. Even now, many social entrepreneurs do not call themselves by this name.

Two actors that did not come forward from the survey but were frequently mentioned in the interviews are private investors and university researchers. Firstly, a number of private investors play a role in the encouragement of social entrepreneurship. These wealthy ex-entrepreneurs understand the power of business models, and now want to apply these to solving social problems. They are an important source of the venture capital on which social entrepreneurs depend. Secondly, the role of universities is small but growing. The Free
University of Amsterdam, the private Nyenrode Business University, and to a lesser extent Erasmus University of Rotterdam are starting to pick up interest in the niche. This interest has so far not been translated into publications or official partnerships. The contact between and amongst entrepreneurs is the most strongly established link within the network, with partners like SSO and The Hub facilitating the interaction. This network is reaching out to investors in an effort to involve them in the process of setting up new ventures. Institutional investors, however, still view this market as very risky and are awaiting more proof of performance. The academic institutions mentioned above are becoming more interested and approach the SSO/The Hub-network (not vice versa) for information. Government bodies and business regime organisations are, if at all, involved as clients.

Regarding the field’s expectations, the survey shows that there are a number of shared expectations, and in particular relating to the motivation and bottom-line of the organisation. The respondents were consistently double bottom-lined, both socially and financially, and respondents stressed that especially the social perspectives of their work motivate them. However, much variety in expectations on the field remain, which is expressed in the variety of a wide range of products and services on offer, sources of financial support, and legal entities under which the organisations operate. Social entrepreneurs, as portrayed by the sample, use mixed sources of income simultaneously. Notable is that very few make use of sources indispensable for conventional entrepreneurs, such as formal investors and bank loans and credits. This suggests that investors and banks see social entrepreneurs as an unproven business category and thus as a risk. A second observation is the very high importance of on the one hand the use of private financial reserves – an indication of the immaturity of the niche and the existence of protection from market pressures – while on the other hand funds, gifts and subsidies – primary sources for civil society – are also highly valued.

There is also large diversity in legal entities social entrepreneurs use. About 46 percent are *Sole Proprietorship*, 28 percent are a *Foundation*, and 21 percent are a *Private Limited Company (Ltd.)*. The other 14 percent consist of either a *Partnership* or a *General*
Partnership. The diversity of legal entities demonstrates the differences in expectations that the various actors of the niche have. For example, the often-used Foundation is known for its non-profit character and is not seen as innovative, while an Ltd. advocating social values will be regarded with much suspicion. Perhaps though, the expectations of social entrepreneurs are in reality largely similar, but there is no adequate legal entity to express it with. This may in fact point to the observation that social entrepreneurship has reached some momentum and now is in need of formal institutional reform of legal entities. Either way, the expectations of social entrepreneurs as expressed by the legal entities they operate under are diffuse.

The final niche dimension regards its learning processes. One of the questions the survey asks is which supportive measures social entrepreneurs would like there to be. Their answers emphasize a shortage in collective learning mechanisms, for example workshops, seminars, conferences, etc. At least three of the four top needs, of a total number of 16 measured support possibilities, can be attributed to the desire for collective learning and knowledge on how to practice social entrepreneurship. Evidently, social entrepreneurs have difficulties meeting experts and pioneers in their field, would like more specialised workshops and seminars, and need to share experiences with successful entrepreneurs from other sectors. This suggests that, as of yet, there are insufficient possibilities for collective learning in this niche.

The interviews show that much of the effort of intermediary organisations such as The Hub and SSO is indeed devoted to getting social entrepreneurs in contact with each other and others, such as investors and experts: the experience of ‘veteran’ social entrepreneurs is diffused by workshops and project evaluations; open innovations takes place in communal office space; and free newsletters bundle the latest activities and research results.

So far, this concerns learning routed towards social entrepreneurs. Looking the other way, society learns from the experience of social entrepreneurs and perhaps incorporates common practice in this niche into its regimes, the interviewed actors all stress that now is the time for proving themselves and thereby gaining trust. Explaining the added value of social entrepreneurs remains difficult in a language accustomed to either making money or
pursuing social value. Consequently, they view networking and convincing others by both
talking and successfully executing projects as their primary ways of influencing the regimes,
although a thorough academic study “showing that social entrepreneurship works” would
also be very welcome. They expect the coming few years to be critical in this respect,
considering that there is now a momentum of interest in social entrepreneurship.

3.1.1 Niche-Regime Interaction

The two regimes that the social entrepreneurship niche opposes are the business and civil
society regimes. The business regime is exemplified by Milton Friedman. On the other hand,
as Bornstein (2004, 4) defines, lies the civil society regime that is concerned with social
objectives, and for whom profit making is not a goal, but rather an impediment to their
legitimacy. The philanthropist Andrew Carnegie is taken to exemplify the civil society regime.
Table 1 shows several important characteristics of these two regimes. The interaction
between these regimes and the encroaching social entrepreneurship niche is described in
terms of conflicting and shared values. Please note that the regime’s characteristics do not
follow from the quotes, but that instead quotes were found to match the defined regimes.
The described regime characteristics and quotes portray a somewhat archetypical form of
the regimes. This serves the purpose of locating potential points of interaction between
these regimes and the niche of social entrepreneurship.

[Table 1]

3.1.1.1 Conflicting values

Social entrepreneurs have difficulties obtaining funds from sources indispensable for
conventional business, namely bank loans and investors. This suggests that social
entrepreneurs are less able to convince institutional actors that they are a good investment.
This is in part due to the fact that investors do not know what to expect of the financial
performance of social entrepreneurs, and in part because the social value created by these
entrepreneurs cannot be capitalised upon by the investors and thus yield no added incentive to invest. This latter cause is a conflict of values between the niche of social entrepreneurship and the regime of business. Social performance is not one of the formal criteria by which most investors are judged, although informal mechanisms exist such as social pressure from consumer organisations or NGO’s. The issue of social performance measurement – for which multiple partial solutions exist, none of which is accepted as the standard – complicates this conflict of values. *Conflicting Value No 1* (with the business regime) reads: institutional investors are formally not judged by social performance.

While organisations in most cases will not have problems balancing multiple goals, the case of combining solving social problems with profit making seems to be difficult to institutionalise. Evidence for this comes from the inability of many institutional organisations like the Chamber of Commerce, government agencies, laws and subsidy programmes, and the aforementioned investors to put a tab on the dual purpose social entrepreneur. The interviews consistently stress that these organisations understand what social entrepreneurship is and that it can profitably combine two goals, but that they are not able to turn this understanding into appropriate supportive action, for example because a social entrepreneur creates two types of values simultaneously, while a potential supporting organisation is focused on maximising just one of these two values. *Conflicting Value No 2* (with both business and civil society regimes) is: governing systems are designed with single-purpose organisations in mind.

It remains difficult for social entrepreneurs to explain to people outside the niche what social entrepreneurship is and why it is important. One explanation is that multi-purpose organisations are not embedded in most people’s and organisations’ frame of mind. However, the seeming inability of the social entrepreneurship niche to agree on how to call itself and how to express its core values also plays a role. Organisations with scarcely noticeable differences in approaching social and financial value use such variable terms as
social entrepreneurship, issue-driven entrepreneurship, sustainable entrepreneurship, triple-win organisation, change-oriented business, new way of doing business, etc., to champion their cause. Of course there are genuine differences in the ways that social entrepreneurial organisations behave, but the likenesses are nevertheless larger. Additionally, niche actors do not seem interested in solving this confusion, because it would apparently limit their freedom of operations. As noted above, this independent attitude is probably a result of fighting against the established regimes of business and civil society. However, now that the niche is slowly arriving at a consolidation point, this attitude is starting to become problematic, at least regarding further growth of the niche. A confusing variety of business models and consequently vocabulary is not conducive to creating the necessary confidence in the niche. Conflicting Value N°3 (with the business regime) is: the social entrepreneurship niche actors refuse to standardise their vocabulary.

Traditional civil society organisations are driven by a mission that benefits society as a whole (versus private interests) and are funded by gifts, subsidies and donations. Their ability to attract these funds depends on the credibility with which they are perceived to pursue their mission. Their non-profit character has enabled them to gain society’s trust and therefore credibility and donations. Because they are not subject to shareholders, they can pursue their mission indefinitely, albeit with sometimes heavily fluctuating income and thus operational reach. Lately, however, some social entrepreneurs have started to undertake similar social mission oriented action while building their obtained trust on other organisational characteristics than being non-profit. It is not yet precisely clear what the basis of this trust is for social entrepreneurs (factors that might play a role are the organisations’ mission statements and the perceived sincerity of the social entrepreneurs and what they communicate). This entrepreneurial activity undermines the credibility of traditional civil society organisations. Interestingly, social entrepreneurs typically associate more with the business than with the civil society regime, while it is thus more a competitor of the latter than of the first. Certainly not all surveyed social entrepreneurs make a profit, or
aim to make one, and many can be said to appear to be more like civil society organisations than business ones, but the fact that trust is based on a different presumption makes these two unlikely to become ‘best friends’. This effect was indeed found in the survey respondents’ answer to who their most important partners were: only five percent of which belong to civil society. *Conflicting Value N°4* (with the civil society regime): society’s trust in civil society organisations is based on their non-profit character.

### 3.1.1.2 Shared values

One of the advantages of social entrepreneurs being double bottom-lined is that they share one bottom-line with each of the two regimes they challenge, giving them a shared value with each. Their dedication to maintain financial sustainability and to not depend solely on gifts and subsidies but instead (partly) on earned income, enable them to communicate with business in terms of mutual understanding. This understanding however is limited, since social entrepreneurs do not share the value of profit maximisation with business, and are also more comfortable with gifts and subsidies than business is. *Shared Value N° 1* (with the business regime): social entrepreneurs are comfortable with competition for financial resources.

With the civil society regime, social entrepreneurs share their social mission. At first glance, most social entrepreneurs will even appear to be civil society organisations because it is the social mission that drives them. *Shared Value N°2* (with the civil society regime): social entrepreneurs are recognised as legitimate social problem solvers.

Social entrepreneurship has a strong relation to innovation. Ashoka (one of the internationally leading organisations supporting social entrepreneurs, though not active in the Netherlands) for example calls their fellows “innovators for the public” and Alvord et al. (2004) describe the whole phenomenon as “creat(ing) innovative solutions to immediate social problems (…)” and is not alone in this description. Though this paper discusses the rise of social entrepreneurship as an innovation in itself, social entrepreneurs are thus also
innovative as individual organisations (perhaps because they cross boundaries and thus open up new areas in which to search for solutions). This innovative stance results in ambiguous reactions, on the one hand sometimes evoking resistance to change, while on the other hand this change is highly valued. The high costs incurred on companies and governments by social problems, such as for example by health issues, unmotivated employees or unemployment, lead many of these organisations to be of the latter type and to search for solutions to their social problems. Inevitably, those solutions will require innovation. Given the often complicated character of social problems and the number of interacting issues and actors that play a role in them (Mulgan et al. 2007), those best able to perceive and implement the necessary innovation will be those organisations with views of both sides (i.e. business and civil society sides) of the problems at hand. Thus, the combination of the social entrepreneurs’ innovativeness and their multi-valued approach to doing business allows them to be perceived as valuable business partners. Shared Value N°3 (with both business and civil society regimes): multi-valued innovation is best suited for solving complex social problems and is best practiced by social entrepreneurs.

3.2 Case Study Conclusions

Interest in social entrepreneurship and activities of social entrepreneurs is growing, in the Netherlands as elsewhere. While the niche is still far from mature, the initial days of monological and tireless individuals as described by among others Bornstein (2004) seem either over or nearly so, and the niche is seen to put increasing effort into relationships with actors from the incumbent regimes in an effort to gain a larger market share. Several shortages in the strength of the niche should be combated sooner rather than later if the niche is to stand a good chance of maintaining its core values in this process of translation. The most pressing shortage is a needed harmonisation of vocabulary and a recognition of the characteristics that social entrepreneurs share. In the coming years, social entrepreneurs are expected to take on a growing role in social problem solving, which will lead them to increasingly search for ways to overcome regime barriers. The measurement of success (or
social impact) is the primary hurdle that social entrepreneurs will have to take in order to enable a growth of investors interested in social returns.

4 CONCLUSIONS

The case of social entrepreneurship has served as a test of the applicability of strategic niche management (SNM) for the analysis of a radical innovation that is not characterised by a technical artefact. The following conclusions can be drawn from this study.

First, the study of technological innovation as practiced by the school of strategic niche management is a sociologically oriented view of technological change and thus centres on human behaviour and social context (insofar as it interacts with evolving technology). Both social and technological innovation, therefore, are in effect sociological and describe similar patterns of change, even though they have different starting points. The terminology of both fields is different – most notably concerning references to technological artefacts, a cognitive rally point for which social innovation theory so far has found no replacement – but these differences are minor. There is thus no a-priori reason to exclude social innovation from SNM analyses, and our case confirms this empirically. We were able to understand and interpret the current situation of social entrepreneurship in the Netherlands as a niche evolving against the backdrop of two prevailing regimes.

Second, there are some methodological considerations. The socio-technical regime as known from theory is centred on a technological artefact. For this paper, it was proposed to use quotes and values instead of socio-technical artefacts to depict a regime. The used quotes satisfied three criteria: they had to a) exemplify the regime, b) be put forward by a person inextricably linked to the regime, and c) give a certain natural understanding of what the regime is about, similar to what an artefact would do in the case of a socio-technical innovation. In the case study, such quotes were found for both regimes. Some words of reflection with respect the regime concept in this research are necessary though. We decided to focus on the ‘business regime’ as a whole, but left aside the fact that there are major differences between business regimes across domains or industries. It could be the
case, therefore, that the social entrepreneurship niche might actually have a better fit with the business regime in one domain compared to another. Distinguishing between business regimes across domains can be fruitful future research.

Third, the interaction between niche and regime was characterised in a different way in this paper than has been previously undertaken, namely in the form of conflicting and shared values. This addition to theory did not stem particularly from the analysis of a non-technological innovation (although it was triggered by it because the regimes were defined around quotes and values), but rather from a perceived lack of methods for adequately describing the interaction that was occurring. Previous strategic niche management studies have focused on the stability of the regime and landscape developments that put pressure on the regime as ways of identifying opportunities for the niche. While landscape developments are certainly seen to influence both niche and regime dynamics, they serve more difficult as grounds for an ex-ante study describing the requirements for growth of social entrepreneurship in the Netherlands. The use of conflicting and shared values, instead, allowed for a more detailed picture of interaction promises and problems, and henceforth a basis on which to build suggestions that could stimulate growth.

A final word of reflection concerns our choices regarding data collection. As discussed in this paper social entrepreneurship is a highly diverse field with contested boundaries. We chose to make the niche concept operational as an actor category by including only those social entrepreneurs that consider themselves to be one. While this provided us with a clear methodological approach, the downside is that this research did not cover more hybrid variants of social entrepreneurship, or business that incorporate elements similar to social entrepreneurship without calling it as such. Hence, future research on social entrepreneurship may include a more analytical operationalisation of social entrepreneurship (e.g. using specific criteria) and enhance our understanding of the way social entrepreneurship may start to translate prevailing business regimes.
Note that this adds up to more than 100 percent since some organisations have multiple legal entities. Notably absent are the Public Limited Company, and the Cooperative. This last absentee is a central subject in the writings of Borzaga & Defourny (2001), but its absence can be explained by the difference between social enterprise, on which Borzaga & Defourny focus, and social entrepreneurship.

There is in fact an ongoing discussion about whether desirability of the innovation is an important requirement for SNM. Increasing numbers of (as yet unpublished) SNM studies focus on innovations that are not necessarily desirable and these studies face no compatibility issues. Whether it is morally defendable to use SNM to facilitate technologies that cannot be generally characterised as desirable (e.g., better oil exploration techniques) is the real question here.

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Sustainable investment funds are growing more rapidly than the market as a whole, leading to an increasing availability of investors interested in social performance. The limited socially interested funds, however, so far have invested most of their money abroad or in stocks, both of which exclude Dutch social entrepreneurs since none has (yet) gone public.
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