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Doing good while making profits: A typology of business models for social ventures

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Abstract

Research Summary: Building on business model research and the social entrepreneurship literature, we conceptually develop a set of business model choices for social ventures. These choices specify the scope of venture beneficiaries, the extent that customers and beneficiaries overlap, and how social meaning is attached to the venture's value proposition. Concurrent configurations of these choices give rise to four types of social business models: (1) Social Stimulators, (2) Social Providers, (3) Social Producers, and (4) Social Intermediaries. We illustrate this typology using data from seven social ventures and formulate propositions about the implications these business model choices have for a venture's value creation and value capture potential. We then discuss contributions to the literature on social ventures and social entrepreneurship, and the literature on business models.

Managerial Summary: In this article, we propose a framework outlining key business model choices for social ventures. These choices include the scope of target beneficiaries of the venture, the degree of overlap between customers and beneficiaries, and how the venture

Mike Wright: deceased

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communicates its social mission through its value proposition. By combining these choices in different ways, we identify four distinct types of social business models which we call Social Stimulators, Social Providers, Social Producers, and Social Intermediaries. To bring this framework to life, we have examined data from seven real-world social ventures, offering concrete examples to illustrate each type. For each of these four types of social business models, we have also formulated propositions about how the business model choices impact a venture's value creation and value capture potential.

KEYWORDS

business models, conceptual, configurational perspective, social ventures, typology

1 | INTRODUCTION

In recent times, social ventures have gained widespread acclaim as a strategic tool for addressing some of the prevalent social and environmental challenges we are facing, ranging from offering solutions to migration and refugee crises, to providing access to clean water and sanitation, alleviating poverty, or improving the availability of quality education (Battilana et al., 2012; DiDomenico et al., 2009; Haigh & Hoffman, 2012; Prado et al., 2022; Vedula et al., 2022). Social ventures operate at the intersection of the commercial, environmental, and social sectors and typically have multiple organizational objectives as they combine a goal to create commercial value and generate revenues to be self-sustainable, with a goal to contribute to a social cause and create social value (Defourny & Nyssens, 2010; Desa & Basu, 2013; Zahra et al., 2008). The joint pursuit of social and commercial value creation distinguishes social ventures from commercial organizations (Doherty et al., 2014; Vedula et al., 2022; Wry & York, 2017).

Against the backdrop of this, scholars have shown a growing interest in the business models entrepreneurs use to jointly create commercial and social value, and to subsequently capture some of that value (Snihur & Bocken, 2022; Snihur & Markman, 2023). Nevertheless, although some scholars studying social ventures make note of their business models (Litrico & Besharov, 2019; Prado et al., 2022; Seelos & Mair, 2005; Wry & York, 2017), there remains a lack of deep understanding of the strategic business model choices entrepreneurs make within the realm of social entrepreneurship. In addition, we do not know what the implications of these choices are for the value creation and value capture potential of a social venture.

At the same time, the literature on business models also falls short in explaining this, as it typically highlights the significant role of the for-profit logic and focuses on business activities in which the customer plays a central role as a source of economic value creation (Massa et al., 2017; Snihur & Bocken, 2022). As a result of this, the insights we have about the choices entrepreneurs make to create and capture value are not easily transferable to the context of social ventures (Casadesus-Masanell & Ricart, 2010; Snihur & Eisenhardt, 2022). This is mainly due to two reasons. The first reason is that social ventures pursue two sorts of value creation—commercial and social—and are hybrid ventures that integrate aspects of the commercial logic and the social welfare logic (Austin et al., 2006; Battilana & Lee, 2014; Thornton et al., 2012). The second reason is that while customer-centricity is central for commercial ventures, for social ventures other target constituencies such as the beneficiaries play a key role as well (Ebrahim

et al., 2014; Santos et al., 2015). Hence, despite what we know about commercial business models, there is a need to better understand the business models of social ventures (Snihur & Eisenhardt, 2022; Snihur & Markman, 2023). Given the widespread adoption of social goals by a large variety of organizations today (Williams et al., 2023), we believe it is timely to address this gap and therefore we ask: *What are the strategic business model choices that social ventures engage with, and how do these choices affect the value creation and value capture of the venture?*

Our article follows a “red-state approach” (Armanios et al., 2017; Mitchell & Tsui, 2012) as we use extant theory to understand more deeply social ventures and their business models. Building on the literature on social ventures and the literature on business models, our core argument is that there are three strategic business model choices social entrepreneurs make. Using a conceptual model that is anchored in these two research streams, along with illustrations drawn from seven case studies, we identify and analyze the following choices: the scope of venture beneficiaries, the extent that customers and beneficiaries overlap, and how social meaning is attached to the venture's value proposition. We suggest that these three business model choices together constitute various configurations, which form the basis of a typology in which we distinguish between four types of *social business models*. We call them *Social Stimulators*, *Social Providers*, *Social Producers*, and *Social Intermediaries*. Furthermore, building on the fact that research has shown the importance of fit among a configuration of business model attributes, and between the revenue model (value capture) and underlying activities (value creation) (Aversa et al., 2015; Snihur & Eisenhardt, 2022) we formulate propositions around how the business model choices have an impact on the venture's value creation and value capture.

Our study contributes to two literatures. First, we contribute to the literature on social entrepreneurship (Saebi et al., 2019; Vedula et al., 2022; Williams et al., 2023) by bringing to the fore and shedding light on the business model choices within the realm of a social venture. We do so, by adding the concept of “target constituencies” as distinct from revenue-generating customers as an extension to the business model concept. Our article shows how social ventures differ in the way they define and engage with beneficiaries. Linking insights regarding the scope of beneficiaries and the overlap of customers and beneficiaries enriches our conceptual understanding of the target constituencies a social venture interacts with and for whom commercial and social value is created. Second, we add insights about how social ventures can use framing and how the value proposition can reflect the social values underpinning the venture. Together, these business model choices constitute different arrangements which explain the variety of social business models we observe in this space.

Second, we contribute to the literature on business models (Massa et al., 2017; Massa & Tucci, 2021; Snihur & Bocken, 2022; Snihur & Eisenhardt, 2022; Snihur & Markman, 2023) by extending the concept of a business model to the context of social ventures. Specifically, while the core premise of commercial business models is that the feasibility of a business model is contingent upon the customer's willingness to pay and the associated costs, this proposition is less evident in the context of social ventures. Our analysis identifies three fundamental dimensions of diversity in the business model decisions made by entrepreneurs. We posit that recognizing this diversity is crucial and advocate for the adoption of a configurational perspective to enhance our comprehension of the interplay between these choices and their impact on a venture's potential for value creation and capture (Fiss, 2011; Meyer et al., 1993; Misangyi et al., 2017). The propositions articulated in our study illuminate the influence of a venture's business model design on its capacity for both value creation and value capture.

2 | THEORETICAL BACKGROUND

Social ventures have become increasingly prevalent in recent years and have attracted growing attention from management and entrepreneurship scholars interested in studying organizations at the intersection of the for-profit and the nonprofit sectors (Battilana et al., 2015; Battilana & Lee, 2014; Mair & Marti, 2006; Santos, 2012; Tracey et al., 2011). Consequently, over the past decade, social entrepreneurship has transitioned from an emerging field of



scholarly interest to a surge in research examining how entrepreneurs with commercial motivations pursue social objectives and address social challenges.

Early studies on social entrepreneurship were predominantly characterized by debates over definitions, with a particular emphasis on explicitly differentiating it from commercial entrepreneurship (Austin et al., 2006; Bacq & Janssen, 2011; Choi & Majumdar, 2014; Dacin et al., 2011; Short et al., 2009). As time progressed, scholars shifted their focus toward exploring the trade-offs between social and commercial goals, as well as the hybrid nature of social ventures (Battilana et al., 2015; Battilana & Lee, 2014; Vedula et al., 2022). Most recently, the growing adoption of social goals by organizations small and large has generated increased interest in topics situated at the intersection of strategy and social entrepreneurship, as evidenced by the Special Issue featured in this journal (Williams et al., 2023).

In the management and entrepreneurship literature, research on social ventures has been pursued across three levels of analysis: the individual, the organizational, and the institutional (Saebi et al., 2019). First, at the individual level, scholars have directed their attention toward examining how an individual's personal experience (Lee & Battilana, 2020), identity (Hertel et al., 2019; Pan et al., 2019; Wry & York, 2017), or motivation (Bacq & Alt, 2018; McMullen & Bergman Jr, 2017; Zahra et al., 2009) predisposes them to create social ventures. Second, at the organizational level, scholars have looked at the creation and growth of social ventures (Akemu et al., 2016; Prado et al., 2022), their form and structure (Austin et al., 2006; Kistruck & Beamish, 2010), and the strategies employed for revenue diversification (Yan et al., 2023). Most studies on social ventures that focus on the organizational level, however, have portrayed them as hybrid ventures, in which rival institutional logics, understood as shared meaning systems that confer legitimacy upon particular goals and practices, are combined (Thornton et al., 2012; Vedula et al., 2022). A key challenge for social ventures is to combine and integrate the commercial and social welfare logics and address the tensions that come with it (Doherty et al., 2014; Mair et al., 2015; Smith et al., 2013). To this end, a number of studies have investigated how social ventures respond to, manage, or sustain their hybridity, for example, through their organizational identity (Ashforth & Reingen, 2014; Battilana & Dorado, 2010; Moss et al., 2011), the selective coupling of practices (Pache & Santos, 2013; Smith & Besharov, 2019), their governance (Curran & Ozcan, n.d.; Ebrahim et al., 2014; Mair et al., 2015), or through the promotion of formalization and collaboration (Besharov & Smith, 2014; Ramus et al., 2017). Third, research conducted at the institutional level has focused on analyzing the outcomes and impact of social ventures, along with the methodologies used for their measurement (Kroeger & Weber, 2014). Additionally, scholars have focused on understanding how entrepreneurs act as catalysts for social transformation, and how they instigate institutional change through the establishment of social ventures (Teasdale et al., 2023; Zahra et al., 2009).

However, a specific area deserving further investigation involves the business models entrepreneurs deploy to jointly create commercial, social, and even environmental, value. In particular, we need a better understanding of the strategic business model choices made by entrepreneurs in the context of a social venture (Litrico & Besharov, 2019; Saebi et al., 2019; Snihur & Bocken, 2022; Snihur & Eisenhardt, 2022).

In recent years, business models have received increasing attention. The significance of business models is now widely accepted, and their strategic and organizational importance has been highlighted by both academics and practitioners. Consequently, the literature on business models has grown, and studies have looked at how entrepreneurs design (Amit & Zott, 2015; McDonald & Eisenhardt, 2020), innovate (Chesbrough, 2010; Snihur & Zott, 2020), or adjust (Grimes, 2018; Snihur & Clarysse, 2022) business models.

Despite its widespread use, there still is a lack of agreement on what a business model entails. Three perspectives about the meaning and function of business models have emerged from the management literature (Massa et al., 2017). The first one treats a business model as an attribute of a firm, an expression of its realized strategy (Amit & Zott, 2001, 2015; Zott et al., 2011). A business model is the set of interconnected activities a venture performs to create value, including the content, structure, and governance of these activities (Amit & Zott, 2015). The second perspective considers a business model as a cognitive or linguistic map, a dominant logic held by managers in organizations to make sense of what the business is they are in (Chesbrough, 2010; Massa et al., 2017; Tripsas,

2009). A third perspective treats a business model as a formal but simplified cognitive representation of the activities a firm uses to create and capture value, or in other words, a blueprint of how a business works (Osterwalder et al., 2005). To this end, many versions of templates have been developed to create such blueprints. One of the most popular examples of this among managers, practitioners and educators is the Business Model Canvas (Osterwalder, 2004; Osterwalder & Pigneur, 2010). Similarly, Gassmann et al. (2014) proposed four dimensions to conceptually represent a business model: *who*, referring to the target customers; *what*, referring to the value proposition; *how*, referring to the activities employed to create the value proposition; and *value*, referring to an explicit explanation of how money is made in the business. The lean start-up, which was developed and popularized by Ries (2011) further emphasizes the role of the customer. Lean start-up principles stipulate that customer development, understanding the customer needs and the customer's willingness to pay are crucial to formulate a value proposition (and hence create value) and to subsequently assess how to capture some of that value.

Despite the plethora of definitions and conceptualizations of a business model, there is consensus at a broad level that a business model attempts to capture the way organizations “do business” and how they organize themselves to create, deliver, and capture value (Massa & Tucci, 2021; Teece, 2010). In this article, we support the idea that a business model articulates the rationale behind the customer's value proposition, defines the set of activities undertaken by a central business to generate value, and formulates a revenue model to capture a portion of that value (Bocken et al., 2014; Snihur & Eisenhardt, 2022; Teece, 2010). It helps to answer questions about who the customer is, what the customer values, how to make money, and what the economic logic is that explains how to deliver value to those customers at an appropriate cost (Massa & Tucci, 2021).

A recurring theme across many of the definitions and conceptualizations of business models is thus that they highlight the role of the for-profit logic and emphasize the role of the revenue-generating customer (McDonald & Eisenhardt, 2020; Snihur & Clarysse, 2022; Snihur & Zott, 2020). As a result of this, a lot of what we know about business models is not easily transferable to the context of social ventures. There are mainly two reasons for this. First, business models of social ventures need to consider the joint pursuit of social and commercial value creation. This implies that the business model of a social venture will most likely include elements that are different from or that add to the business model of ventures that solely pursue commercial value creation. Second, the literature on business models provides insights into the centrality of customers as key actors within a business model, and emphasizes how assessing the willingness to pay of a given customer for a particular product or service determines the viability of a business. In the context of a social venture, however, other target constituencies such as the beneficiaries play a central role too. Hence, this is an important aspect of the business model of social ventures, which is likely to be overlooked in the context of a venture that solely pursues commercial value creation.

Therefore, it is arguable that, against the backdrop of the joint pursuit of social and commercial value creation, other aspects come into play for the business model design of social ventures. Except for a few studies that have shed light on sustainable business model innovation in the context of existing organizations (Bocken et al., 2014; Boons & Lüdeke-Freund, 2013), or the importance of business models to address social or environmental problems (Snihur & Markman, 2023), we still lack insights in the strategic business model choices that are specific to the context of social ventures. To this end, our study seeks to shed light on what the strategic business model choices are that social ventures engage with, and on how these choices affect the value creation and value capture of the venture.

3 | METHODS

3.1 | Research design and analytical process

We rely on the literature on social ventures and social entrepreneurship as inspiration to identify business model choices that are specific to the context of social ventures. We use conceptual theory development, which involves



theory development through logical reasoning, anchored in the broader body of literature on business models (Amit & Zott, 2015). Moreover, we also draw upon the broader entrepreneurship literature to underpin the development of our arguments. Building on this, we conceptually derive three specific business model choices that relate to the ventures' target constituencies and their value proposition. Our theory development subsequently links these business model choices to different types of social ventures, and their value creation and value capture potential.

3.2 | Data used for illustrative purposes

We complement our conceptual analysis with data from seven social ventures. The data were collected as part of a pilot study on business models for social entrepreneurship. Because of data limitations, however, we decided to use our data to illustrate the conceptually derived business model choices and types of social ventures, rather than to use it as a basis for inductive theory development.

Since there is no worldwide database of social ventures, the ventures were selected from networks for social entrepreneurs such as Ashoka, Echoing Green, and the Unreasonable Institute. These are support organizations that provide networking, access to funding, and mentoring to social entrepreneurs. As we were interested in explaining the variety of business models used, we ensured to have enough variance across the contexts the ventures were operating in. The cases operated in developed economies, but also in more developing contexts such as Mexico, Guatemala, India, and East-Africa. In addition, the ventures operated in a variety of fields such as financial services, sustainable energy, and fair trade. Table 1 provides an overview of the seven cases.

We used data from several sources: (1) qualitative data from semi-structured interviews with the entrepreneurs; (2) follow-up interviews, e-mails, and phone calls to clarify initial interviews and track progress; (3) video and audio material of the entrepreneurs; and (4) archival data.

First, face-to-face interviews were conducted by three research assistants as part of a larger research program on social entrepreneurship. These interviews were conducted with the founding teams of each venture. They took place in 2011 and 2012, were conducted during a visit to the main locations of the respective ventures and lasted between 2 and 3 h. From these interviews, a series of short videos was created for each case, featuring the entrepreneurs presenting themselves along with their identification of market and social opportunities, and the subsequent development of their business idea (Pink, 2007). During the interviews, the entrepreneurs were prompted to answer a series of questions about the business models of their ventures, including information about the value offering of the venture, its intended customers, key partners, core activities, resources, revenues, costs and channels to reach the market, and the intended target populations. These videos were later used for educational purposes around the topic of social entrepreneurship.

Second, a follow-up round of interviews was conducted with either the founders or one of their team members to delve deeper into various facets of the business models, providing further clarification. The follow up interviews took place online and were conducted by a research assistant together with the first author. They lasted between 30 and 45 min. The purpose of this additional round of data collection was to complement and cross check data, and to inquire about the progress they had made. They were conducted in 2012, as well as 2018.

Third, data on the background of each founder was collected, and video and audio material of interviews and presentations given by the founders about their respective ventures, over the period of 2011–2013. This video and audio material was transcribed and mainly helped us to triangulate, complement and cross check the primary data that were collected via the interviews, emails, and phone calls.

Finally, detailed archival data were collected on each case. This included in-depth, publicly available data from business publications, press releases, company reports and websites. Again, these data helped to form a holistic understanding of the ventures and their business models, and to triangulate some of the insights that emerged from other data sources. Table 2 provides an overview of the data sources.



TABLE 1 Overview of cases.

Name	Location	Founding year	Issue addressed	Industry	Value offering	Mission
Alpha	U.S., San Francisco	2009	Raising awareness by making food personal again, environment, sustainability	Indoor gardening and agriculture	Grow-at-home food products (mushroom kits)	Offer individuals sustainable and fresh food options that can be cultivated at home, while raising awareness about their environmental footprint and providing an alternative to the conventional food industry.
Beta	U.S., New York	2009	Mindful living	Sustainable products + mindfulness inspiration	Sustainability-based lifestyle products	Promote a mindful lifestyle through the designs crafted and the messages disseminated, thereby instigating a positive influence within the realm of e-commerce.
Gamma	U.S., Los Angeles	2008	Financial service provision, access to capital, community development	Financial services	Accountancy support via an SMS based accounting tool + global credit scores	Facilitate financial inclusion for businesses globally, particularly micro-businesses, which have the potential to serve as catalysts for economic growth and transform the fortunes of their communities.
Delta	Mexico	2010	Rural electrification needs, community development, sustainable energy	Solar energy	Solar panels developed for rural use and community development workshops	Enhance the quality of life in underserved rural regions by furnishing them with solar-powered lighting systems, which yield beneficial effects on the environment, health, and education. This initiative aims to extend the number of daily active hours and promote socialization within these communities.
Epsilon	Guatemala	2009	Use of organic food waste	Environmental services	Organic fertilizer + Red worms and composting systems	Substitute chemical fertilizers, mitigate waste accumulation, and afford economically disadvantaged women a means of sustainable income, thereby facilitating a trajectory out of poverty.
Zeta	Germany	2010	Education and health	Retail	Market intermediation through decentralized fair trade	Deliver high-quality coffee to the general market while maximizing the social impact on farmers' cooperatives.
Eta	U.S., Los Angeles	2008	Access to official employment for poor individuals	Education and community building	Microwork through online platform	Offer dignified employment opportunities to impoverished individuals by connecting them through the internet, facilitating access to formal sector employment. This endeavor aims to enable those living in poverty to earn a living wage, bolster their confidence, acquire skills pertinent to the contemporary economy, and infuse vital capital into their communities.



As such, our data are important to illustrate the business model choices for social ventures and to give examples for the different types of social ventures we identify.

4 | BUSINESS MODEL CHOICES

We propose that there are three strategic business model choices that are contextually specific to social ventures, thereby constituting an extension of the conventional business model concept. The first two business model choices result from the fact that social ventures have target constituencies that are distinct from revenue-generating customers. They relate to (1) the scope of venture beneficiaries; and (2) the extent that customers and beneficiaries overlap. We define customers as those engaged in commercial transactions with the venture to buy the goods or services offered, and beneficiaries as those target constituencies whom the social mission is in aid of, and for whom social value is being created (Ebrahim et al., 2014). The third business model choice relates to how social meaning is integrated into the venture's value proposition.

4.1 | Scope of venture beneficiaries

The first business model choice we consider is rooted in the business model concept “target constituencies.” The extant literature on social ventures has highlighted the role of beneficiaries in addition to those of customers (Battilana et al., 2012; Ebrahim et al., 2014). This introduces an extra dimension to the business model which is typically overlooked in the literature on business models and social ventures: the scope of beneficiaries and level of abstraction of the beneficiary group.

From the entrepreneurship literature, we know that a distinction exists between entrepreneurs who aspire to cater to a specific community or a well-defined reference group of known individuals, as opposed to those who aim to target a broader spectrum of potential customers (Fauchart & Gruber, 2011). In a similar vein, in the context of social entrepreneurship, scholars distinguish between social entrepreneurs that focus on addressing small-scale local needs, and those that look at the broader social system (Litrico & Besharov, 2019; Teasdale et al., 2023; Zahra et al., 2009). This distinction reflects a strategic business model decision for social entrepreneurs as they need to choose about whether to create social value for society at large, or social value that accrues to a defined and specific group of beneficiaries. Hence, a key component of a social venture's business model is the scope of target constituencies the venture interacts with which, in the context of social ventures, includes not only customers but beneficiaries as well.

Entrepreneurs purposefully decide who they want to create social value for (Pan et al., 2019; Wry & York, 2017), which explains the variety we observe across social ventures in terms of the scope of their social mission and the breadth of their target beneficiaries. On the one hand, there are social ventures that concentrate on a particular group or community of beneficiaries, indicating a clear and precisely defined notion of whom they aim to generate social value for. Take Epsilon, for example, a Guatemalan social venture that offers training programs about vermicomposting to women of indigenous communities and teaches them how to sell organic fertilizer to local farmers. Epsilon is thus a venture that has a clearly defined group of target beneficiaries. On the other hand, there are social ventures that have a broader interpretation about who is to benefit from their actions and value proposition. These ventures typically aim to provide social value in a broad sense, and they have no clearly defined group of target beneficiaries. To illustrate, Alpha is a social venture that sells grow-at-home mushroom kits and has “a mission to reconnect every family and kid back to where food comes” (archival data). This quote reflects the broad interpretation Alpha has of their target beneficiaries.

**TABLE 2** Data sources.

Case	Data sources
Alpha	Primary data: • Joint semi structured interview with both founders in 2012, conducted during company visit • Follow up emails with founders in 2012 • Business model canvas filled out by founders in 2012 • Video on founding team and venture, made by research team in 2012 during company visit Secondary data: • Ted talk of founders (3) • Company report (2) • Press releases (4)
Beta	Primary data: • Joint semi structured interview with founding team in 2012, conducted during company visit • Follow up emails with founders in 2012 • Business model canvas filled out by founders in 2012 • Video on founding team and venture, made by research team in 2012 during company visit Secondary data: • Ted talk of founders (1) • Press releases & blog posts (6)
Gamma	Primary data: • Semi structured interview with founder in 2012, conducted during company visit • Follow up interview with team member in 2012 • Follow up emails with founder in 2012 • Business model canvas filled out by founder in 2012 • Video on founding team and venture, made by research team in 2012 during company visit Secondary data: • Ted talk of founder (2) • Company report (1) • Press releases (5)
Delta	Primary data: • Joint semi structured interview with founding team in 2012, conducted during company visit • Follow up emails with founders in 2012 • Follow up interview with team member in 2018 • Business model canvas filled out by founders in 2012 • Video on founding team and venture, made by research team in 2012 during company visit Secondary data: • Publicly available interviews with founders (4) • Company report (2) • Press releases (3)
Epsilon	Primary data: • Semi structured interview with founder in 2012, conducted during company visit • Follow up emails with founder in 2012 • Follow up interview with founder in 2018 • Business model canvas filled out by founder in 2012 • Video on founding team and venture, made by research team in 2012 during company visit Secondary data: • Publicly available interviews with founder (3) • Company report (1) • Press releases (4)
Zeta	Primary data: • Joint semi structured interview with founding team in 2012, conducted during company visit • Follow up emails with founders in 2012 • Follow up interview with founder in 2012 • Business model canvas filled out by founders in 2012 • Video on founding team and venture, made by research team in 2012 during company visit



TABLE 2 (Continued)

Case	Data sources
Eta	Secondary data: - Publicly available interviews with founder (2) - Company report (1) - Press releases (4)
	Primary data: - Joint semi structured interview with founding team in 2012, conducted during company visit - Follow up emails with founder in 2012 - Follow up interview with team member in 2018 - Business model canvas filled out by founder in 2012 - Video on founder and venture, made by research team in 2012 during company visit
	Secondary data: - Ted talks (2) - Company report (1) - Press releases (4)

4.2 | Extent that customers and beneficiaries overlap

The second business model choice we consider is also rooted in the business model concept “target constituencies.” In the context of a social venture, entrepreneurs must decide about how to involve their beneficiaries in commercial transactions. This is reflected in how social ventures approach their beneficiaries as customers, and thus in the way customers and beneficiaries of a social venture overlap (Prado et al., 2022).

Based on the existing literature, we recognize that various approaches exist concerning the involvement of beneficiaries in commercial transactions, and that this is also intertwined with how social ventures organize and structure their operations and activities (Battilana et al., 2012; Ebrahim et al., 2014; Santos et al., 2015). First, the customers and beneficiaries of a social venture can fully overlap, which implies that beneficiaries are customers at the same time. An illustration of a social venture whose beneficiaries are customers at the same time is Gamma, a social venture that provides micro-loans and accounting support to micro businesses in India to improve their financial inclusion. The owners of these micro businesses are the customer and beneficiary at the same time. Second, social ventures can target two separate groups, one being the customer and the other being the beneficiary target group. For instance, Eta is a social venture that aims to lift people out of poverty by connecting them to digital work. They sell technology and professional back-office services for AI data training to Fortune 500 companies (the customer) and employ impoverished workers (the beneficiaries) to give them an opportunity to earn a living wage and develop IT skills. Eta thus exemplifies a case where customers and beneficiaries do not overlap.

4.3 | Value proposition and symbolic use of social values

The third business model choice we consider is rooted in the business model concept “value proposition” (Osterwalder, 2004). In the context of a social venture, and drawing from the social welfare logic, entrepreneurs make choices with regard to the social (and environmental) meaning attached to their value proposition. This implies that the products or services offered by social ventures not only entail material aspects, but that they can contain more symbolic aspects too, reflecting the social character of the venture (Boons & Lüdeke-Freund, 2013; Tauscher & Rothe, 2024).

From the entrepreneurship literature, we know that framing matters (Snihur et al., 2022; Teasdale et al., 2023) and that symbols and symbolic management can play an important role for entrepreneurs and their new ventures in attracting attention and resources. Symbolic management refers to the idea that there is meaning attached to an

object or action that goes beyond the object's or action's intrinsic content or functional use, and that this helps to create legitimacy for the entrepreneur and his or her new venture (Zott & Huy, 2007). Whereas the intrinsic content relates to objective or tangible functions that are recognized independently of the symbolic dimension, symbols convey socially constructed meanings beyond the obvious functional use (Morgan et al., 1983; Phillips & Moser, 2024).

In the context of social ventures, we propose that while all ventures have commercial as well as social goals, there are differences in how these social goals are reflected in their value proposition (Lee & Huang, 2018). We posit that certain ventures develop a *social value proposition*, employing framing strategies to communicate their social objectives and associated values through their value proposition. In contrast, we argue that there are also social ventures with a *functional value proposition*, eschewing explicit portrayal of their social goals and associated values, instead concentrating solely on the functionality and quality aspects of their product or service. For instance, Eta's customers are large companies for which they deliver a high quality, professional service. In this case, the social value is intimately linked to the venture, but is not contained in the service or value proposition itself. Eta is thus an example of a social venture with a functional value proposition. In contrast, Beta is a venture that aims to stimulate mindfulness. They design and sell products that explicitly reflect social and environmental values, and hence are an example of a social venture with an explicit social value proposition.

We propose that the three dimensions outlined above represent strategic business model choices for social ventures, and that ventures can vary along these three business model choices. This variance explains the heterogeneity of business models observed across them. Each social venture's combination of these choices gives rise to the array of business model configurations observed within this domain, reflecting the multifaceted nature of the social venture landscape.

Table 3 provides an illustration of the three business model choices and illustrative quotes for each of our seven cases.

5 | A TYPOLOGY FOR SOCIAL VENTURES

The three strategic business model choices together give rise to different configurations of social ventures based on which we propose four types of social ventures. We label them as: Social Stimulators, Social Providers, Social Producers, and Social Intermediaries. Table 4 provides an overview of the four types of social ventures and the business model configurations that characterize them.

5.1 | Social stimulators

The first type we call *Social Stimulators*, as the social objective of these ventures is to stimulate awareness about a social and/or environmental issue. A key feature of Social Stimulators is that their customers are simultaneously their main beneficiaries. Typically, Social Stimulators do not target a specific community of beneficiaries but sell to a broadly defined market of customer-beneficiaries, who self-select to buy from the venture based on the social values that are reflected in the product or service. Social Stimulators thus have a social value proposition and clearly convey their social values through the products they sell. Well-known examples of these types of ventures are the clothing company Patagonia, or Chilly's, a UK-based venture with clear social and environmental values and a mission to accelerate the adoption of reusable products. Another example of Social Stimulators looked at in prior studies are socially responsible retail companies (Ashforth & Reingen, 2014; Besharov & Smith, 2014; De Cuyper et al., 2020). These are all examples of organizations with clear commercial and social goals, which sell products that reflect these social and environmental values to a broad target market of customer-beneficiaries.

To illustrate this in more detail, consider Alpha and Beta, two social ventures that can be classified as Social Stimulators. Alpha is an urban mushroom cultivation facility located in San Francisco, characterized by a commitment to social and environmental principles. The core social mission of Alpha is to reconnect people to the sources of their



food again. Alpha collects coffee waste from local coffee shops, plants mushroom seeds in this coffee waste, packages it and sells these buckets through retail chains such as Whole Foods and Home Depot. They focus on selling mushroom kits and making a profit, but the underlying idea is to turn waste into food. In that sense, they have a rather general idea of who their beneficiaries are and seek to reconnect people to the origins of food again, thereby improving awareness about sustainability and waste, as shown in how they formulate their mission:

We're on a mission to reconnect every family and kid back to where food comes from by helping them experience the magic of growing it themselves (archival data).

As such, they do not focus on a separate group of beneficiaries. Instead, their customers are the main beneficiaries and the more products Alpha sells, the more they manage to reconnect their customer-beneficiaries to the origins of food and create social and environmental value. Social value creation is for a social venture like Alpha thus an automatic consequence of its commercial activities.

Another example is Beta, a New York based social venture that sells products to stimulate mindfulness. One of the founders of Beta emphasized in an interview how they explicitly express their values in the products they design and sell:

Everything we create, we take three major things into consideration, and that's people, who's involved in the production of it...environment, what materials are apt for the environment, what's our impact on the environment...and the third thing is product and that to us means how you do all those other things without sacrificing good design or quality of the product we are making (interview with founder).

Similarly, during another talk, both founders of Beta explained how they create value for their customer-beneficiary through the values that transcend through the value proposition and through the products sold:

The real benefit or the real value is the values that are transcending, and that's the package, when you get the whole wallet, you get those other elements, the kind of mindful elements that we put into every product that we design. But the real thing that we are sharing are those values that are behind it, why we created Beta (archival data).

As a result of the business model choices Social Stimulators make, we posit that this type of social ventures can adopt a so-called integrated approach to achieving their dual commercial and social objectives (Battilana & Lee, 2014; Ebrahim et al., 2014). Research in institutional theory and organizational identity distinguishes between *differentiated social ventures* in which multiple goals and logics are adopted in separate organizational subunits and commercial and social value creation happens separately, and *integrated social ventures* in which multiple goals and logics are combined across the entire organization and commercial and social value creation happens simultaneously (Albert & Whetten, 1985; Greenwood et al., 2011). Since Social Stimulators consider their customers to be the main beneficiaries of their social mission, and because their social values are clearly attached to their value proposition and conveyed through the product, we propose that they are integrated social ventures whose commercial activities allow them to create commercial and social value at the same time.

In summary, Social Stimulators will have a social value proposition, serve a broad group of beneficiaries with a large customer and beneficiary overlap, and through an integrated activity structure.

5.2 | Social Providers

The second type of social ventures we call *Social Providers*. These ventures target a clearly defined community of beneficiaries and provide them with products or services, thereby focusing on the functional benefits of their value



TABLE 3 Business model choices and illustrative quotes from cases.

	Scope of beneficiaries	Overlap of customers and beneficiaries	Value proposition and symbolic use of social values
Alpha	Broad focus: aim is to create value for society at large. Mainstream market, products sold via retailers (e.g., Whole Foods and Home Depot)	Customers are main beneficiaries. Customers benefit from fresh food that can be grown from home and that is produced through an alternative, cradle-to-cradle, industrial process	Social values conveyed through value proposition. Grow-at-home mushroom kits, based on recycled coffee grounds
Illustrative evidence	"Alpha has become a platform for people to inspire others to grow food" (company documentation)	"We've helped people grow over 250 thousand pounds of their own fresh food at home through their mushroom kits" (interview with founder) "Every customer wants to know how their stuff is grown, people want to know where food comes from, people want to know how food grows" (company presentation)	"This is so much more than just coffee, this is so much more than just waste, this is so much more than just mushrooms, this is an entire movement of people wanting to grow their own food, people wanting to know where their food comes from and how it's connected to them" (company presentation)
Beta	Broad focus: aim is to create value for society at large. Mainstream market or "mindful shoppers" via online sales	Customers are main beneficiaries. Sell products to customers that carry a message, to encourage a mindful lifestyle by the designs made	Social values conveyed through value proposition. Sustainability-based lifestyle products
Illustrative evidence	"We really target more a type of a shopper, and that's like a mindful shopper, someone who's looking for something more than just this typical product. It's usually people who are asking a lot of questions, about where does the product come from, who is making it, how are they sourcing it and I think those are the types of people who are really connected with what we're doing on a very meaningful level" (interview with founder)	"Every time that someone comes into contact and spends a dollar they're literally voting [...] more powerful a lot of times and more direct impact than actually voting [...] every time you're sending a signal up the production line, you're sending a signal up the fulfillment line, you're sending a signal throughout the world that you are embracing that idea, that you are a proud supporter of that idea, so every single time it makes a huge impact" (company presentation)	"Those values that come with those products, those are guiding how you spend those dollars. We find that they are the real, scalable, global impact of this cultural change that we are experiencing 'right now'" (company presentation)
Gamma	Focus on specific communities. Micro-entrepreneurs in India as beneficiary: lenders benefit from a credit scoring and accurate risk analysis	Beneficiaries are also customers. Lenders pay interest on their loans	Focus is on functionality of product, but adapted to specific beneficiary needs. Offer accounting and credit scoring tools through text-messaging accounting system
Illustrative evidence	"There are 2.5 billion people around the world that don't have a credit score. That's a third of the world's population. So, we created a mobile	"The customers, who benefit from this service, pay a fee for each loan and use the application on the phone to do their transactions. Gamma's borrowers	"We provide technical assistance and financial tools through our mobile platform...so we actually track each of the businesses, their revenues, expenses,



TABLE 3 (Continued)

	Scope of beneficiaries	Overlap of customers and beneficiaries	Value proposition and symbolic use of social values
Delta	application that builds credit scores for them using mobile data. " (company presentation) Focus on specific communities. Beneficiaries are off-the grid communities in Mexico	Beneficiaries are also customers. Rural communities buy solar charger controllers and pay via a micro-credit system	profit and social metrics on a daily basis...we're very focused on customizing our model to the needs of the businesses that we work with " (interview with founder) Focus is on functionality of product, but adapted to specific beneficiary needs. Solar panels with purpose to provide underserved rural areas with solar powered lighting systems
Illustrative evidence	"So, it's off-grid, remote, rural communities whom we provide solar home systems to make them change from candles to a high-quality system...there's approximately 500,000 household in Mexico that fit these criteria" (company presentation)	"We have put in place a plan that lasts 9 months [...] monthly payment of about 170 pesos, helping the people to feel involved in the project and making them realize they own the system, so they will take proper care of it and maintain it in a proper way" (interview with founder)	"We are engineers, we have developed a technological enterprise, but we realized that we needed to create products that were adapted to the necessities of the people " (interview with founder)
Epsilon	Focus on specific communities. Beneficiaries are subsistence farmers and women in impoverished urban areas in Guatemala	Partial overlap: customers are beneficiaries, but venture also has separate group of beneficiaries who are suppliers to the venture. Customers are beneficiaries at same time: worms are sold to farmers and impoverished communities, with a focus on women	Social values conveyed through sourcing of product and hence attached to value proposition. Organic fertilizer, red worms and composting systems represent values through sourcing of the product and through the mission of Epsilon which is to reduce use of chemical fertilizer
Illustrative evidence	"The farmers that hire us are mostly working to develop their livelihoods and help women, indigenous women from the rural areas in Guatemala...they're young mothers, so like from 30 to 60. It's a very big age range" (interview with founder)	"My company has the responsibility to buy their [refers to beneficiaries] fertilizer because we have a great demand on the market...our end beneficiaries are subsistence farmers in rural areas in Guatemala who need organic fertilizer to improve their ground quality" (interview with founder)	"We need to make a quality product, we need to make sure we're selling something that the market is willing to pay, even if it's the trainings or just the vermicompost...it's for profit, but because of the type of business, because it's vermicomposting and it's helping people to offer their land, there's always an impact in this type of business, you know " (interview with founder)
Zeta	Focus on specific communities. Beneficiaries are coffee farmers in Ethiopia and their communities	Partial overlap: customers are beneficiaries, but venture also has separate group of beneficiaries who are suppliers to the venture.	Social values conveyed through sourcing of product and hence attached to value proposition. High quality coffee that is sourced at a fair price and based on a set of specific principles

(Continues)



TABLE 3 (Continued)

Scope of beneficiaries		Overlap of customers and beneficiaries	Value proposition and symbolic use of social values
Illustrative evidence	“So last year, in 2012, we impacted four thousand people in the five cooperatives and the main areas we work in is health, and education. Health could be for example a solar system for a hospital. Education could be a school that we’re just building now for one cooperative” (Interview with founder)	Mainstream customers benefit from underlying values of coffee and coffee farmers in Ethiopia and their communities are also beneficiary. “Our customers, that could be private people, that could be companies, that could be coffee shops... and through selling the coffee we support our operation, but we also generate 1 euro per kg, which we channel back to the farmers and close the circle if you wish, and implement projects at the farmer’s side” (Interview with founder)	“Our coffees come from direct trade relations. That means for us that we regularly communicate with our partner producers and visit them every year. Direct communication is essential to build a mutual bond of trust, to motivate improved coffee quality and to really understand local living conditions” (company documentation)
	Rather broad focus. Focus on alleviating poverty in the world and employing low-skilled individuals “We have two tiers of beneficiaries. First the team members that we’re giving direct employment, we’ve helped 2000 people directly lift themselves out of poverty. The secondary beneficiaries are the families of those 10’000 workers... over the past ten years we’ve indirectly helped over 50’000 people lift themselves out of poverty” (Interview with founder)	Customers and beneficiaries two different groups. Large data- and technology companies as customers and impoverished workers as beneficiaries “Our core mission is to help people lift themselves out of poverty by giving work. And we do this through providing digital services, mainly training data, strategy and annotation to the world’s leading technology organizations that are focused on artificial intelligence” (Interview with founder)	Social values not reflected in value proposition. Focus on technology and professional back-office services for AI data training “But I would say that first and foremost they work with us because of the quality and the trust and the expertise that we provide in our training data solutions... It’s the top thing. Like if we can’t deliver high quality training data, in a trusted and secure environment, they’re not going to work with us” (Interview with founder)
Eta			
Illustrative evidence			



TABLE 4 A typology of social ventures and their business models.

Business model choices	Types of social venture business models			
	Social stimulators	Social providers	Social producers	Social intermediaries
1. <i>Scope of venture beneficiaries</i>	• Broad definition of beneficiaries	• Specific focus on a beneficiary group	• Specific focus on a beneficiary group	• Broad definition of beneficiaries
2. <i>Extent that customers and beneficiaries overlap</i>	• Customers are the main beneficiaries	• Beneficiaries are customers	• Beneficiaries are twofold: 1. Beneficiaries are the suppliers of the product 2. Customers of the product are beneficiaries as well	• Customers are different from the beneficiaries
3. <i>Value proposition and symbolic use of social values</i>	• Social value proposition: Social values conveyed in products/ services sold	• Functional value proposition: Focus on functionality of product but possibly adapted to the needs of the customer-beneficiary	• Social value proposition: Social values conveyed through the sourcing of the product	• Functional value proposition: Focus on functionality of product
Implications for venture's value creation	• No effect on cost structure because integrated activity system	• No effect on cost structure because integrated activity system	• Costs possibly higher because partially differentiated activity system	• Costs possibly higher because differentiated activity system
Implications for venture's value capture	• Willingness to pay likely to be higher because of social value proposition; revenue model based on commercial activities with customer-beneficiaries	• Willingness to pay likely to be lower because of functional value proposition and because of target beneficiaries' limited ability to pay; revenue model based on commercial activities with customer-beneficiaries	• Willingness to pay likely to be higher because of social value proposition; revenue model based on commercial activities with customers	• No effect on willingness to pay because of functional value proposition; revenue model based on commercial activities with customers
<i>Exemplary cases</i>	<i>Alpha and Beta</i>	<i>Delta and Gamma</i>	<i>Zeta and Epsilon</i>	<i>Eta</i>

offering. Typically, the beneficiaries are customers at the same time, and usually the main aim of these ventures is to sell products or services that improve the beneficiaries' quality of life. A well-known example of a Social Provider is the Aravind Eye Hospital which provides affordable and accessible eye-care solutions in India (Dacin et al., 2010; Mair & Marti, 2006). To provide further illustration, let us consider Delta, a social venture that specializes in the sale of solar panels and solar-powered lighting systems to off-the-grid rural communities in Mexico. One of the founding members of Delta explained in an interview how it was important for them to involve their beneficiaries as

customers because it increases the feeling of ownership and helps “the people to feel involved in the project and make them realize they own the system, so they will take proper care of it and maintain it in a proper way” (interview with founder).

Social Providers thus have a clearly defined and narrow idea of who their target beneficiaries are. For instance, Delta demonstrates a profound understanding of its beneficiaries, as evidenced by detailed descriptions of the communities in Mexico it serves, highlighted during one of the interviews:

They [the beneficiaries] live in very small communities, usually a household is 5 to 6 people and families, and communities without any kind of basic services. There is no electricity, no running water, no sanitation, no clean cooking, 60% actually of our customers are indigenous. They're living with close to a 100 dollars a month for the whole family, which is near a dollar a day...It's very bottom of the pyramid, we call it the “basement of the pyramid,” because it's families that are really marginalized, very complicated to access. Even though Mexico has developed greatly, there are still 500 000 families that live like this (interview with founder).

Gamma is another example of a Social Provider. It is a social venture based in Los Angeles that provides micro-loans and accounting support to micro businesses to improve their financial inclusion. The owners of these micro businesses are the customer and beneficiary at the same time. In an interview, the founder of Gamma explained how they have a very clear understanding of their customer-beneficiary target group, saying how “the majority of their customers are well educated, between 25 and 34 in age, and part of the emerging middle class, earning \$2–\$19 per day, and steadily employed or entrepreneurs with small or micro businesses” (archival data). The founder of Gamma further expressed how they are “very focused on customizing our model to the needs of the businesses that we work with” (interview with founder).

Although Social Providers adapt their value proposition to the specificities of their target beneficiary-customers, they mostly have a functional value proposition and clearly focus on the functionality of the product or service they provide. As an illustration, in talking about their product and the underlying technology, Delta repeatedly emphasized how functionality and quality were key to their value offering:

It is important to focus on the quality of your technology, and obviously the more you design your technology on knowing the customer perfectly, the better (interview with employee).

We argue that Social Providers are integrated social ventures (Battilana & Lee, 2014; Ebrahim et al., 2014). Because they have a functional value proposition targeted at a well-defined and narrow group of beneficiaries who simultaneously act as customers, their commercial activities generate revenue and social value at the same time.

In summary, Social Providers will have a functional value proposition, serve a narrow and clearly defined group of beneficiaries, with a large customer and beneficiary overlap, and through an integrated activity structure.

5.3 | Social producers

We suggest that there is a third type of social ventures, which we call Social Producers, whose beneficiaries are two-fold. On the one hand, these ventures interact with a specific group of beneficiaries, and engage with them as suppliers or producers for their products. On the other hand, they sell finished products to customers who benefit from the social and environmental value underlying the value chain. Social Producers typically have a social value proposition with their social values explicitly manifested in their value proposition and offerings. A well-known example of a Social Producer is Tony Chocolonely, a Dutch chocolate brand that has a mission to raise awareness about the inequality in the chocolate industry and make the entire value chain slave-free. They built direct long-term



relationships with cocoa farmers in Ghana and the Ivory Coast, paying them a higher price, and working together to solve the underlying causes of modern slavery.

To illustrate further, consider how one of the founders of Zeta, a social venture based in Germany that sources coffee from local farmers in Ethiopia and reinvests part of the profit to set up community projects there, expressed the following about their beneficiaries in an interview:

We have two main beneficiaries, both part of the circle: one it's the farmers, who are kind of obvious beneficiaries, people who get higher prices through us, who get projects through us; and the others are the consumers here in Germany. We kind of try to show them a new way of drinking coffee, of appreciating coffee, and maybe even appreciating food, it's part of a bigger thing. So that's the two main beneficiaries (interview with founder).

The quote above exemplifies how these types of social ventures conceptualize their beneficiaries as twofold, and as partially overlapping with the customer. Similarly, the founder of Epsilon, a social venture in Guatemala that offers training programs about vermicomposting to women of indigenous communities and helps these women sell organic fertilizer to local farmers to make a living, told us in an interview how she thought of her customers and beneficiaries as partially overlapping:

There's like a percentage where they do cross, you know, because a lot of times our collaborators for example they might be buying it themselves, so they're benefitting. But also, for example in case of the women... the beneficiaries are the women. So yeah, and then there's other small farmers that you know place orders and we're just sending them fertilizers and they're both beneficiaries and customers (interview with founder).

In terms of the beneficiaries who act as producers or suppliers, Social Producers are typically quite specific regarding the beneficiaries they aim to assist through their social mission. For instance, the founder of Epsilon explained how the purpose of her business is to “help women, indigenous women from the rural areas in Guatemala...they're actually young mothers” (interview with founder).

Although Social Producers stress the importance of the quality aspects of their product, the social values that underpin their business are clearly conveyed through the sourcing of the product and thus in their value proposition. As an illustration, consider how Zeta described how they take seven principles into consideration when purchasing their coffee beans from local farmer communities:

With Zeta, we want to create an understanding and appreciation for good coffee quality and convey the power behind each cup. For this purpose, we have defined 7 criteria that we have set as our goal when purchasing our green coffees (archival data).

Due to the strategic business model choices they make, Social Producers can be classified as “partially differentiated” social ventures (Battilana & Lee, 2014; Ebrahim et al., 2014). On the one hand, Social Producers engage in commercial activities that are mainly aimed at generating revenue. As such, there is a partial overlap in how the activities of Social Producers jointly generate commercial and social value. The products are sourced through the beneficiaries so that, as customers buy from Social Producers, social value accrues and hence the commercial activities automatically lead to social value creation as well. On the other hand, however, Social Producers also set up a separate structure to engage in additional activities that help enhance the beneficiary-producers' lives and those of their communities. Zeta for instance, invests part of their profits back into projects in the local communities of the coffee farmers:

Zeta shares its profits with the farmers in Ethiopia and Columbia. For technically every kilogram of coffee we sell, one euro we channel back in investing the building of schools and developing water schemes...we have now reached more than 100'000 people in areas where you usually really have an issue with the like most basic things in life (archival data).

In another instance, the venture communicated how they “are currently preparing for a large-scale program for the training of coffee farmers in the fields of cultivation, harvesting and processing so that they can increase their coffee quality and thus the income sustainably and independently” (archival data).

Similarly, Epsilon sets up additional and separate training programs to help the women in the rural communities in Guatemala to further develop skills and capabilities:

Epsilon does not only incorporate the various communities into its value chain and inclusive business model—but also does a lot of work in capacity building and business transfer skills. This means everything possible to ensure that the women are as successful as possible. In this sense, they not only assist the women in how to create the best organic fertilizer possible, but also train them on how to negotiate, how to sell and find other markets, how to have better teamwork, how to educate their community farmers about the dangers of chemical fertilizers, and if interested how to start their own business (archival data).

In summary, Social Producers will have a social value proposition, serve a narrow group of beneficiaries, who are on the one hand their suppliers or producers, and on the other their customers. They do this through a partially differentiated activity structure.

5.4 | Social intermediaries

Finally, we propose that there is a fourth type of social venture which we call *Social Intermediaries*. These ventures clearly differentiate between beneficiaries and customers and have a rather broad conceptualization of who their target beneficiaries are. To fulfill their social mission and be financially self-sustainable, they sell services or products to a separate group of customers. Rather than conveying their social mission through their products or services, Social Intermediaries have a functional value proposition and a clear focus on the quality and functional aspects of the product or service they sell. Work Integration Social Enterprises are a well-known example of this type of social venture (Battilana et al., 2015; Pache & Santos, 2013; Ramus et al., 2017). To illustrate further, consider Eta, a social venture whose “core mission is to alleviate poverty by connecting people to dignified digital work” (interview with employee). Eta has a broad social mission that is not specifically targeted at a particular group, community, or geographical area. The founder of Eta expressed the following about their beneficiaries:

So what we've found is that relatively low skilled workers, people who make under \$3 a day, who live in developing countries, who might have gone to high school and can speak English and, you know, are intelligent, but haven't had access to a lot of professional work, they may not have the skills to do a more complex formal job like accounting or finance or something like that, but they can certainly do one of these basic tasks (interview with founder).

To be financially self-sustainable, they sell services or products to a separate group of customers. For instance, Eta sells data-annotation services to Fortune 500 companies. To exemplify how this type of social venture has a functional value proposition and a clear focus on the quality and functional aspects of their product or service, consider the quote below in which an employee of Eta explains how quality and technology are key to their service:



Clients, first and foremost, they care about quality, they care about our technology, they care about making sure that we can deliver what we say we're going to deliver on time and on budget, they care about making sure that the training data we're providing is you know top notch and secure so that they know and can trust that the artificial intelligence they're creating is going to function in the way that they want it to (interview with employee).

Social intermediaries typically are differentiated social ventures (Battilana & Lee, 2014; Ebrahim et al., 2014). They have a differentiated structure whereby one part of the organization focuses on commercial value creation and interaction with the customers, while another part of the organization deals with interacting with the beneficiaries and social value creation. For example, in the case of Eta, one of the interviewees explained how the venture was “hybrid” and consisting of two parts, each serving different functions:

So, we're a hybrid organization, which means that we are a for-profit owned by a non-profit, so majority owned by non-profit. Our core mission is to help people lift themselves out of poverty by giving work. And we do this through providing digital services, mainly training data, strategy and annotation to the world's leading technology organizations that are focused on artificial intelligence (interview with employee).

Besides their commercial activities, they typically organize additional activities that help them enhance their social mission. For instance, apart from providing work opportunities, Eta organizes further initiatives and programs that help their beneficiaries with their personal and professional development:

It's not just the hiring and the recruiting, but also the ongoing support programs that we have with Eta. For example, we provide financial literacy programs, programs around health educational awareness, nutritional programs, we have subsidized meals at our campus, we also provide subsidized transportations. So, there's a lot of support and training...and personal and professional development support (interview with employee).

In summary, Social Intermediaries have a functional value proposition, serve a broad group of beneficiaries, with no customer-beneficiary overlap, and through a differentiated activity structure.

5.5 | Implications for value creation and value capture

For each of the four types of social ventures, we also formulate propositions about how the business model choices have important implications for a venture's value capture and value creation potential.

When considering the aspect of value capture, we concentrate on examining the implications the strategic business model choices can have for the revenue structure of a venture, their customer demand, and the extent to which their customers are able and willing to pay (Snihur & Eisenhardt, 2022).

Research has demonstrated the critical role of entrepreneurial framing in capturing the attention of diverse audiences and has shown that such framing can be strategically deployed by ventures as a tool to generate customer demand (Snihur et al., 2022). Within the realm of social ventures, the use of social impact frames becomes particularly significant in enhancing customer demand. Social impact frames are characterized as frames that portray an entrepreneurial venture in light of its positive influence on society, emphasizing “the social–environmental welfare benefits of a venture and its activities” (Lee & Huang, 2018, p. 1).

This study posits that certain ventures adopt social impact framing through a social value proposition, wherein they symbolically associate social or environmental values with their core offering. This deliberate framing choice carries implications for the venture's value capture, as it can stimulate customer demand and, consequently, influence

a customer's willingness to pay (Taeuscher & Rothe, 2024). In essence, the alignment of a venture's social mission with a socially framed value proposition creates a synergy that not only attracts customers, but also enhances their perception of the venture's value. Consequently, customers are likely to become more willing to pay a premium for products or services, recognizing the broader positive impact associated with the venture's offering and its activities.

Understanding and leveraging this connection between social impact framing through a social value proposition, customer demand, and ability and willingness to pay is critical for social ventures aiming to optimize success and long-term sustainability. By strategically framing their impact, social ventures can not only capture customer attention but also cultivate a customer base that is more willing to pay for the positive societal contributions embedded in the venture's mission.

We argue that Social Stimulators and Social Producers deliberately engage in social impact framing through their social value propositions, and that this enhances their customers' willingness to pay. Social ventures with a business model configuration of a Social Stimulator typically target customer-beneficiaries who are conscious about sustainability and social issues. We posit that these customer-beneficiaries are able and willing to pay for the service or products, not only because of their functional benefits, but because of the social and environmental values that are reflected in the social value proposition. Similarly, social ventures with a business model configuration of a Social Producer have a social value proposition as well. To generate revenue, they sell products to customers who appreciate these social and environmental values, and who are likely to be able and willing to pay a premium price as they recognize the broader societal impact of the venture's offering and its activities. Based on this, we formulate the following proposition:

Proposition 1. *Social ventures with a business model configuration of a Social Stimulator or a Social Producer, compared to Social Providers or Social Intermediaries, are more likely to have increased customers' willingness to pay.*

Social Providers on the contrary have a functional value proposition and do not convey social values in their value proposition. They also typically target customer-beneficiaries that do not have the financial abilities to pay a premium price (Santos et al., 2015; Seelos & Mair, 2005). Therefore, we formulate the following proposition:

Proposition 2. *Social ventures with a business model configuration of a Social Provider, compared to Social Stimulators, Social Producers and Social Intermediaries, are more likely to have decreased customers' willingness to pay.*

In terms of value creation, we focus on the activity structure of social ventures and the associated delivery and operating costs (Snihur & Eisenhardt, 2022). As a result of the business model choices that characterize them, Social Producers and Social Intermediaries are both likely to adopt a differentiated or partially differentiated activity structure with one part of the organization focusing on commercial value creation and interaction with the customers, and another part of the organization dealing with interacting with the beneficiaries and social value creation. We argue that social ventures that adopt a (partially) differentiated structure, possibly carry higher costs. Therefore, we formulate the following proposition:

Proposition 3. *Social ventures with a business model configuration of a Social Producer or a Social Intermediary, compared to Social Stimulators or Social Providers, are more likely to have increased operating costs.*

In summary, our four types shed light on the heterogeneity of social ventures and their business models. Our analysis also shows we need to take a more configurational approach and consider various business model aspects together to fully appreciate the variety of social ventures, and their value creation and capture potential. Figure 1



provides a visualization and summary of how the business model choices together determine the type of social venture and its potential for value creation and value capture.

6 | DISCUSSION OF CONTRIBUTIONS AND FUTURE RESEARCH

This article extends recent conceptual discussions on business models in the context of social ventures and social entrepreneurship (Massa & Tucci, 2021; Snihur & Eisenhardt, 2022; Snihur & Markman, 2023). Our motivation was to better understand strategic business model choices for ventures that jointly pursue commercial and social value creation, and that target constituencies beyond the revenue-generating customer. Identifying these business model choices subsequently allowed us to better understand and explain the heterogeneity of social business models, which formed the basis for the typology we propose in this article. Doing so, we make several contributions to theory.

First, our study contributes to the literature on social ventures and social entrepreneurship (Saebi et al., 2019; Vedula et al., 2022; Williams et al., 2023). Studies on social ventures have claimed that a key challenge for social ventures is to combine multiple organizational goals and to address the tensions that come with it (Battilana & Lee, 2014). While there is a plethora of studies that have shed light on the internal dynamics of social ventures, and the managerial and organizational responses to the tensions that result from the pursuit of multiple goals (Ashforth & Reingen, 2014; Battilana & Dorado, 2010; Besharov & Smith, 2014; Pache & Santos, 2013; Ramus et al., 2017; Smith & Besharov, 2019), one important area that has so far remained under-addressed are the business model choices entrepreneurs make to jointly create social and commercial value (Litrico & Besharov, 2019; Snihur & Eisenhardt, 2022).

By adopting a business model lens to look at social ventures, our article presents a step toward a more strategic understanding of the micro-foundations behind social ventures (Besharov & Smith, 2014; Mair et al., 2015; Zilber, 2016). A business model articulates the logic that supports the value proposition for the customer, specifies the set of activities performed by a focal business to create value, and a revenue model to capture some of that value (Snihur & Eisenhardt, 2022; Teece, 2010). Although work on business models has exploded in recent years, relatively little is known about business model choices in the context of social entrepreneurship (Snihur & Eisenhardt, 2022).

We conceptually derive three strategic business model choices which are specific to the context of social ventures, and which extend our current understanding of social ventures. First, we suggest two elements of the business model that pertain to the target groups the venture engages with. In addition to the overlap between customers and beneficiaries which scholars have hinted at in prior work (Ebrahim et al., 2014), an important element of a social venture's business model relates to the scope of beneficiaries it targets to create social value. While some ventures address small and local social needs with the aim to create value for a well-defined community of beneficiaries, other ventures address large, systemic social problems with the aim to create value for society at large (Litrico & Besharov, 2019; Mair et al., 2012; Pan et al., 2019; Teasdale et al., 2023; Zahra et al., 2009). On a more general level, this also resonates with the broader entrepreneurship literature which has shown that entrepreneurs differ in whether they target a specific community or society at large (Fauchart & Gruber, 2011). Fauchart and Gruber (2011), for instance, found that the social identities of entrepreneurs have an impact on key aspects of their venture's business model. Our study aligns with their study as we highlight how, in the context of social ventures, the way entrepreneurs define their target beneficiaries has ramifications for the way they organize themselves, and subsequently, for the potential for value creation and capture in their venture.

Second, we propose a third business model aspect that pertains to the value proposition of social ventures. Extant literature has shown how social ventures operate at the intersection of the commercial and the social welfare logics, which constitute divergent prescriptions about material practices, as well as about cultural symbols and values (Greenwood et al., 2011; Thornton et al., 2012). As a result of this, social ventures are influenced by both logics when it comes to framing their value proposition. We propose that certain ventures adopt a social value proposition,

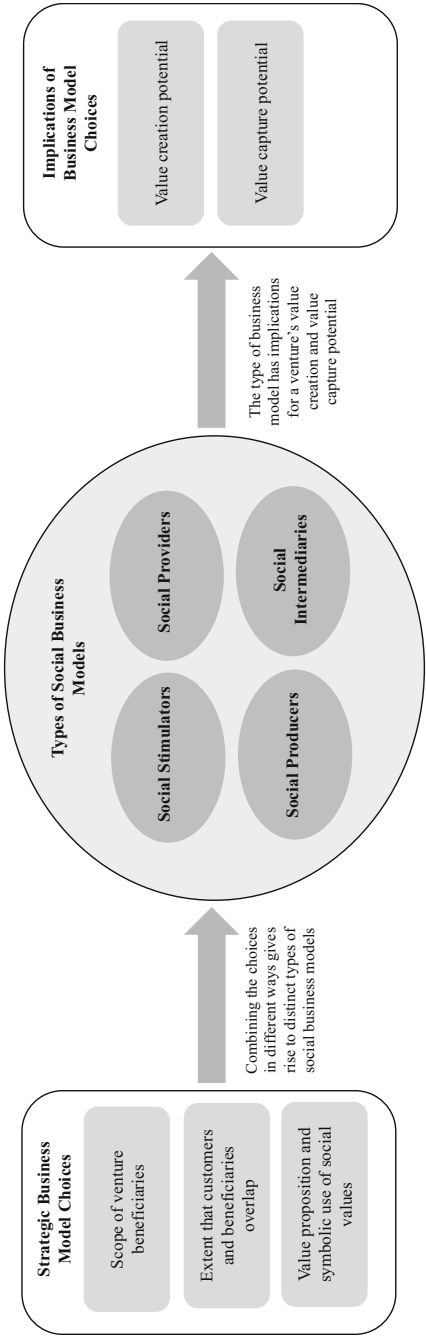


FIGURE 1 Strategic business model choices and a typology of social business models.



articulating their social values visibly and symbolically in their offering and their value proposition. In contrast, others opt for a functional value proposition, emphasizing product or service functionality and quality without explicitly showcasing social values. As such, our article resonates with prior studies that have shown how entrepreneurs engage in framing (Snihur et al., 2022; Teasdale et al., 2023), and how they make use of objects and actions which display both intrinsic and symbolic dimensions (Ruebottom, 2013; Zott & Huy, 2007). In the context of social ventures, our study adds to our understanding of how framing and the use of symbolic attributes matter for how social entrepreneurs design their business model.

Second, we contribute to the literature on business models (Massa et al., 2017; Massa & Tucci, 2021; Snihur & Eisenhardt, 2022; Snihur & Markman, 2023). The literature on business models has expanded significantly in recent years, with studies examining how entrepreneurs design (Amit & Zott, 2015; McDonald & Eisenhardt, 2020), innovate (Snihur & Zott, 2020), or adapt (Grimes, 2018; Snihur & Clarysse, 2022) their business models. Additionally, in the context of sustainability, there is research exploring aspects of sustainable business model innovation within existing firms (Bocken et al., 2014) and sustainable innovations more broadly (Boons & Lüdeke-Freund, 2013). Despite these advancements however, it is worth noting that within the context of entrepreneurship and new ventures, the focus of the business model literature has traditionally revolved around a for-profit orientation, with an emphasis on the revenue-generating customer.

We extend this body of work by expanding the notion of a business model and shedding light on three business model choices which are important within the context of social ventures. These choices together constitute different configurations. As such, by combining these choices in different ways, we specify four archetypes of social ventures and their respective business models: Social Stimulators, Social Providers, Social Producers, and Social Intermediaries (see Table 4). Taking a more configurational approach to look at social ventures and the interweaving of aspects of their business models allowed us to develop a more nuanced understanding about what the implications are for their potential for value creation and value capture (Fiss, 2011; Meyer et al., 1993; Misangyi et al., 2017). This is an important extension of the concept of a business model to the context of social ventures. While the core premise of commercial business models is that the willingness to pay of a given customer and the cost at which something can be delivered determine the viability of a business model, this given is less clear in the context of social ventures. We propose it is important to take a configurational approach to social ventures and their business models to better understand this, and our propositions shed light on how the willingness to pay and the cost structure are affected, depending on a social venture's business model design.

While our propositions are a first indication about how business model choices affect a social venture's value creation and value capture potential, and how this can subsequently affect their viability, we expect that future research can further investigate this. One avenue for future research could be to adopt a configurational approach and use Qualitative Comparative Analysis (Fiss, 2011; Misangyi et al., 2017), or quantitative analysis, to verify the underlying mechanisms we propose here. Furthermore, future research might use our typology as a starting point to see whether it has implications for other organizational practices or processes. For instance, scholars could examine how the four types identified here differ in terms of how they measure their social impact and financial sustainability. They could look into whether each type has a certain set of social and financial performance indicators that they are best at providing, or whether there are certain metrics (e.g., employee growth, profit, revenue, or social impact—defined by number of beneficiaries served or educational attainment) that certain types fulfill more efficiently because of how they merge social and financial goals and how they are configured.

7 | CONCLUSION

Entrepreneurship has gained widespread acclaim as a tool to solve some of the social and environmental problems we face. As a result of that, social ventures that jointly pursue commercial and social value creation have gained increasing popularity in recent years. In this article, we adopt a business model lens to better understand social

ventures, and how they create and capture value. We extend the business model concept by highlighting three strategic business model choices that are specific to the context of social ventures. These business model choices constitute different configurations and offer an explanation for the variety of types of social ventures we observe in this space. We subsequently propose how this ultimately has implications for a venture's value capture and value creation potential. While much remains to be explored about social ventures and their business models, we hope to have provided building blocks for further theory development with this study.

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