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## Editorial

The volume opens with two texts on change. Olga Nosova, in her text entitled “Transformational Change: Challenges and Prospects for Development. The Case of Ukraine”, evaluates how Ukraine’s GDP depends on the degree of economic, political, and social transformation, as well as overall indicators of the market and democratic reform. Cecile Nieuwenhuizen and Thea Tselepis address the theme of change through the activism of female social entrepreneurs. The authors focus on education’s role in women’s ability to solve complex problems and create social value in Africa. This study addresses the issue of the importance of education in the innovation system (Cai et al., 2020).

Patrizia Accordino, Raffaella Coppolino, Carlo Giannetto and Elvira Tiziana La Rocca analyse the business model of innovative digital start-ups with social goals and identify the elements influencing their birth, growth, and business performance. The paper is based on the Italian innovative social start-up “Muoviti in libertà” and its app – Yukker. The findings relate to research on creating social value through digital social innovation (Chierici et al., 2021; Faludi, 2023).

Michael Jack Meallem and Stifani Herpich explore the social entrepreneurship ecosystems in Thailand and Myanmar. This paper completes the picture covered by Diaz Gonzalez & Dentchev (2021), Roundy (2017), and Roy & Hazenberg (2019).

Additional contents of this volume will be contributed by Łukasz Małys presenting the text “Sustainable Development and Corporate Social Responsibility in Companies’ Practices: An Empirical Analysis”. The author refers to two concepts that are close but not identical to describe social and environmental aspects in the activities of companies. His study aims to determine whether there are differences in environmental and social practices between companies declaring a commitment to sustainability and corporate social responsibility.

The following paper shows how the so-called Eastern Bloc countries can contribute to the development of Fair Trade (Ruggeri et al., 2019). Grażyna Śmigielska assesses the market for Fair Trade products in Poland and identifies the tools which could speed up its development. The volume closes with the paper “Implementing Organisational Ambidexterity for a Successful Transformation of the Automotive Supply Industry Towards a Green Future” by Alexander Gackstatter and Véronique Goehlich. This article aims to identify the role of ambidexterity (Chakma et al., 2022), the competencies required of employees at all levels and the measure of success of transformation in the automotive supplier industry towards a green future based on an analysis of the German experience.

Agnieszka Pacut  
*Editor*

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# Transformational Change: Challenges and Development Prospects. The Case of Ukraine

Olga Nosova

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**Abstract:** **Background:** The basic system transformation approaches can be described by definition of the main and decisive factors of transformational change.

**Research objectives:** The aim of the study is to estimate how the GDP in Ukraine depends on the degree of economic, political, social transformation, as well as the overall indicators (market and democratic) reforms.

**Research design and methods:** The source of information is the World Bank database, Heritage Foundation, and national statistics. The research methods include descriptive analysis, economic and statistical methods, and correlation analysis.

**Results:** The study results identify factors which positively impacts the formation of new and renewed institutions and contribute to a more balanced political, social and economic growth.

**Conclusions:** Development vector designation allows formulating a state development strategy by estimating the factors that might lead to a more sustainable strategy of political and social-economic development.

**Keywords:** transformation, political and social-economic development, correlation analysis

**JEL Codes:** A14, O10, O11, C1

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## **1. Introduction**

The article analyzes basic system transformational change approaches and to define the main and decisive factors of transformational change. The paper represents an attempt to comprehend the concepts of systemic transformation, determines the impact of transformational changes on economic growth in a country, the necessity of widespread reforms in the formation of democratic institutions at the state and local levels. The hypothesis defines transformational changes and highlights what economic, political, social factors are related to determining the underlying transformations in society. The content of the paper includes descriptive analysis depending on typical attributes and applied methods of research, and application institutional approach. Further investigation of the development vector describes the size, directions of ongoing reforms. We estimate which types of reforms contribute to the vector of transformational changes. The source of information is the World Bank database, Her-

itage Foundation, and national statistics. The research methods include descriptive analysis, economic and statistical methods, and correlation analysis.

## 2. Literature Review

Institutional change is an essential part of institutional theory, which is reflected in change, speed of its implementation, the influence of institutional actors, political organizations, and formal institutions on the pace of institutional change development. North (1990), Ostrom (1990), Hodgson (2006), Wegerich (2001) analyze the institutional change and define the conditions for achieving a system a stable condition. The creation of institutions and the formulation and implementation of new norms and rules in society create balance in society. Tylecote (2015) points out the role of Acemoglu and Robinson in defining institutions. "Their grasp of history is uncertain, and of politics, a little crude: thus their Just So stories. Nonetheless, here are influential mainstream economists who have abandoned the assumption that institutions should be presumed to be functional, and who now make clear that economies can benefit greatly from activist states and (in a range of circumstances) lose much by trade. And they do dynamics, often persuasively: a major achievement" (Tylecote, 2015). The institutional process has evolutionary and cumulative character. The shift in the peripheral rules and their gradual change to higher-order rules. Cumulative change is determined by the degree of institutional development and is reflected in general changes in the operation rules. In the process of institutional change, a new state of equilibrium was emerging. The formation new system of institutions aims at reducing uncertainty and achieving a compromise between the divergent interests of the social actors.

According to Fadda, "Institutional change is a slow historic process, and it starts (because institutions are no longer efficient) when the technological or environmental conditions allow for such a change, or the aims of dominant groups support the change or still when power relations among the social groups change" (2002). Institutional change leads to a new set of rules and is accompanied by an asymmetric distribution of information among stakeholders. Shifts in the negotiating power of the parties involved in the institutional process had led to changes in the institutional environment in an attempt to establish a pre-establishing provision through the relevant rules. Consequently, economic agents that have been granted privileges lose any incentives to be engaged in productive activities. Van Zon et al. (1998) studies behavioral routines of the ruling elite and considers erosion of communist ideology and ossification of social and political structures over the past decades has developed an elite that is not interested anymore in the development of society and economy. The vertically organized structures of society and economy have been replaced by a complicated system of mutual relations. There was not a clearly expressed center. Representatives of the nomenclature controlled these structures from top to bottom. Hodgson (1995) comparing the evolutionary change of institutions to the Darwinian process of biological change, stresses out that institutions are path-dependent and strictly endogenous and the change of formal and informal rules and regulations always comes first before the other transformations take place. The transformation of post-Soviet countries was directed at creating an effective institutional system. The formation of the new transformational system must be based on the impossibility of altering the negotiating power of the parties, resulting in the inefficient use of institutions. Transformation is seen in quantitative terms as a major, far-reaching, profound change. The application of the transformation category involves two new operational criteria: qualitative change, and



a balance of change and continuity. The latter makes the transformation reversible in principle, although it requires very strong reasons.

To study transformation in the process of development we will present it in the form of the identity of the opposing points that it contains, as well as in the form of continuous-resolution and reproduction as a source of self-development of the system. The contradiction is the essential relation of the opposing points within the system, which makes it possible to achieve a specific identity of these moments, and which makes the modernization system an organic whole, continuously permitted and reproducible. The transformational system is characterized by unity of sustainability and variability, mutual conditionality and exclusion, positive and negative, interpenetrating and mutually rejecting interaction that disappears and emerges.

All of the features of the institutional process listed above point to the existence of internal opposing parties in its structure. The emergence of a contradiction, the passage of certain stages, the step of development, and its resolution create prerequisites for leapfrogging into a new state. This approach highlights deployment and conflict resolution phases. The resolution of contradictions within the institutional system included the identity of the institutional elements, their mutual identification through each other, and, ultimately, mutual negation. In the process of mutual negation, the opposing sides of the conflict become identical.

The continuous process of resolving and reproducing contradictions in the institutional framework forms the basis of the traffic process. Qualitative changes in the forms of functioning in the process of replacing the "old institutional order" with a new order in society were reflected in institutional change, which ensured a balance of mutual relations in society and continuity in the use of institutional forms. In the process of resolving a contradiction, an object acquires permanent, irreversible new features that change its nature. Development is seen as a natural consequence of the causes, driving forces, ways, and means of materializing irreversible changes in material and ideal objects. According to Douglass North, the distinction between institutional development and institutional change corresponds to the distinction between economic dynamics and economic development as a progressive process (North, 1990). Institutional development determines the long-term, regular functioning of norms, rules, and institutions in society and is irreversible. The institutional change is more temporary, reflecting the transition to a new institutional state of the system.

The contradiction between a functioning institutional system and a newly emerging system of norms, rules, and institutions, in our view, is a major institutional contradiction. It characterizes the object, determines its development from the moment it is created to the final process, makes the system self-moving organic integrity, and causes all other contradictions. In the course of the development of contradictions, differences are deepened and reversed, the existence of which may remain within the former unity for a short period.

Consider institutional differences between countries. Those differences were external contradictions, such as those between the institutional systems of industrialized countries, developing countries, and post-socialist countries. External institutional contradictions are associated with internal contradictions. At the top of the resolution of substantive and non-core, substantive and minor, external and internal contradictions, there is the end of the rejection by the new institutional order of the old system of norms, rules, institutions (organizations), the transition of opposing sides into each other, their identity. As a result, the contradiction was disappearing, leading to the self-reliance of the institutional system and a transition to a qualitatively new level of development. Transformation is aimed at reducing economic, political, social imbalances. It contributes to greater certainty in the relationships of economic agents

and a state of equilibrium in a transformative economy. Political transformation is transferred from an old regime, for example, authoritarian to a new one, democratic mechanisms, and procedures. Such transformation includes the creation of national political parties, institutions, civic culture, etc.

Analysis of post-crisis processes in most post-socialist countries shows the predominance of forms of imitation of elements of market infrastructure, the application of behavioral patterns inherent in the command system, the copying of forms and elements of the structure of the market economy dually developed countries. Polanyi (2001) applies alternative methods to apply to changing conditions, that reflect interdependence group and public interests. Governments of states, citizens, and individuals are assigned an increasingly important role in the transformation. Shuanping (2015) argues that the national policies that respond to the recent economic crises come from the distinct understandings of the tags of the policies, which highly depend on the distinct national contexts, such as national interests, cultural background, political systems.

The study of works Habermas (1991), Herrendorf, Rogerson, Valentinyi (2013), Thomas & Hendrick-Wong, (2019) considers the interdependence structural, economic, political transformations. The scientists argue that all mentioned types are interdependent and reflect quantitative and qualitative changes. The above-mentioned approach defines the rational behavior of economically isolated agents. The changes in the political system are considered in collaboration with relevant reforms in the economic system, which affects the direction of its transformation. The applied method does not take into account the impact of other subsystems and analyses external factors. The following approach limits the research subject, excluding legal, social, cultural spheres, and others (Nosova, 2020a).

The main elements of social contradictions are the principled uncertainty of the choice between alternative directions of further development, the persistence of extra-economic (power) methods of governance. The high level of socio-economic costs of transformation, the significant proportion of the criminal underground sector in GDP, and an absence of a state policy defining the priorities of institutional progress, economic contradictions between agents demonstrate the absence of an effective legal system, neglecting the rule of law. The state does not possess the necessary characteristics of a special economic entity that personifies the whole of society. At the same time, the subjective interest of society is expressed in the need of society to ensure an enhanced reproduction of its potential. The transformational process has contradictory, unsystematic character. The transforming economies of the Eastern European countries were heterogeneous and had features of multi-model behavior. At the beginning of the economic reforms, the state had played a passive role, which had led to the underdevelopment of the legal foundations of private property and market and infrastructure institutions in most Eastern European countries. The application of traditional, sustainable, stereotypical business behaviors, including the old "routine" set, has ensured the continuity of the previous forms of behavior of the old institutional system.

That process had led to the formation of forms of forced behavior by investment agents: the spread of mutual bank insolvency, the non-fulfillment of specific obligations, the liability nature of the investment, the transfer of funds to offshore zones, etc. The analysis of deep-rooted processes in the world economic system as a way of resolving institutional contradictions makes it possible to define how Eastern European countries provide development in the post-crisis period. Successful transformation is accompanied by the resolution of contradictions, aimed at reducing economic imbalances and contributing to the achievement of a quali-

tatively new balance in society. The equilibrium of an economic system is based on the unity of transformation in various levels including achieving balances in economic, political, social systems. The establishment of an effective regulatory framework for the global financial market would provide a basis for preventing similar shocks in a future round of global development.

### 3. Material and Methods

Theoretical analysis of numerous studies on system transformation in East European countries tackles some fundamental questions about the prerequisites and factors for its successful implementation. The widespread econometric methods and techniques applied for modeling transformation in the works define phases and stages transformation modeling, human, political, and economic development empirical works, etc. (Nosova, 2020b).

The system transformation is estimated using correlation analysis data from 1991 to 2018 in Ukraine. The source of information is the World Bank database, Heritage Foundation, and national statistics. The estimation results single out factors that might lead to a more sustainable strategy of political and social-economic development. The study discusses the effects of transformation change on the country's economic growth and suggests possible directions for state policy directing the process of change.

The choice of variable explains via estimation of system transformation factors using the three dimensions approach to system transformation (Merkel et al, 2019; Boaky 2007). The data of GDP and GDP growth are from the World Bank Database. The other data used are indicators of transformation in index form from various sources. From the World Bank, we also apply The Worldwide Governance Indicators (WGI) which "report on six broad dimensions of governance for over 215 countries and territories over the period 1996-2018: (I) Voice and Accountability; (II) Political Stability and Absence of Violence; (III) Government Effectiveness; (IV) Regulatory Quality; (V) Rule of Law; and (VI) Control of Corruption." (Worldwide Governance Indicators). Next to these indicators, we use data from the Transparency Index, the Economic Freedom Index by the World Heritage Foundation (WHF), and two indices by the V-Dem Institute in Copenhagen (Egalitarian Democracy Index and Media Bias). The last data source is the Democracy Barometer (DB), where we took the Index of Government Stability. Not for all the indices, the data for the entire time estimated period (1991–2018) are available. The variables are defined as in Table 1.

**Table 1. Definition of indices**

Index	Definition	Source
Gross Domestic Product per capita (current US\$)	the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products	World Bank
Gross Domestic Product per capita growth (annual %)	gross domestic product divided by mid-year population	World Bank
Government Effectiveness	"perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies."	WGI

Index	Definition	Source
Control of Corruption	„perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.“	WGI
Political Stability and Absence of Violence/ Terrorism	“perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.“	WGI
Regulatory Quality	“perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.“	WGI
Rule of Law	“perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.“	WGI
Voice and Accountability	“perceptions of the extent to which a country’s citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.“	WGI
Government Stability	the stability of government; a cabinet is considered stable if it can stay in government during the whole legislation in period t (number)	DB
Economic Freedom Index	an overall score of four parameters: rule of law, government size, regulatory efficiency, and open markets	WHF

Source: own elaboration

Due to the ordinary character of our variables, we use Spearman’s rank correlation coefficient as well as the Kendall rank correlation coefficient. The chosen significance levels are:  $* = p < 0,05$  and  $** = p < 0,01$ . It needs to consider that there are not enough data points to reach high significance levels without strong coefficients. In this respect, it is important to complement the correlation analysis with further explanations. To continue the analysis of system transformation in Ukraine we analyze interrelations between political as well as socio-economic indices to GDP and GDP growth rate. Application correlation analysis aims to discuss their possible effects on economic growth. We apply correlation analysis, which we use to define the degree of relationship among assessed variables.

#### 4. Results and Discussion

The results of the correlation analysis are presented in Table 2. The coefficients only show a correlation, which does not reflect a causal dependency. In the first step, we describe the results of correlation analysis. This is our basis to estimation in the second step – discuss which indicators might not only have a spurious correlation but also a causal effect on the change of GDP per capita and GDP per capita growth.

The results of the correlation between our indicators and GDP per capita show a slightly positive, but not significant correlation coefficient for both – Spearman’s rho and Kendall’s Tau. Exceptional to that are the indicators rule of law (0.572) and Voice and Accountability, which shows a moderate and statistically significant correlation for Spearman’s rho. For Kendall’s, Tau’s three variables show weak positive and significant correlation coefficients.

**Table 2. Correlation analysis of political and economic indices from 1991–2018**

Index	GDP per capita		GDP per capita growth	
	Spearman	Kendall's Tau	Spearman	Kendall's Tau
Worldwide Governance Indicators (1996–2018)				
Government Effectiveness	0.164	0.158	0.031	0.032
Control of Corruption	0.159	0.111	0.356	0.195
Political Stability and Absence of Violence/Terrorism	0.098	0.042	0.285	0.211
Regulatory Quality	−0.004	0.011	0.322	0.221
Rule of Law	0.572**	0.342**	0.107	0.058
Voice and Accountability	0.506*	0.316	−0.27	−0.211
Further Indicators				
Government Stability (1991–2016)	0.267	0.188	0.41*	0.243
Absence of Corruption CPI (1998–018)	0.251	0.181	−0.341	−0.238
Index of economic freedom (1995–2019)	0.25	0.145	0.585**	0.435**

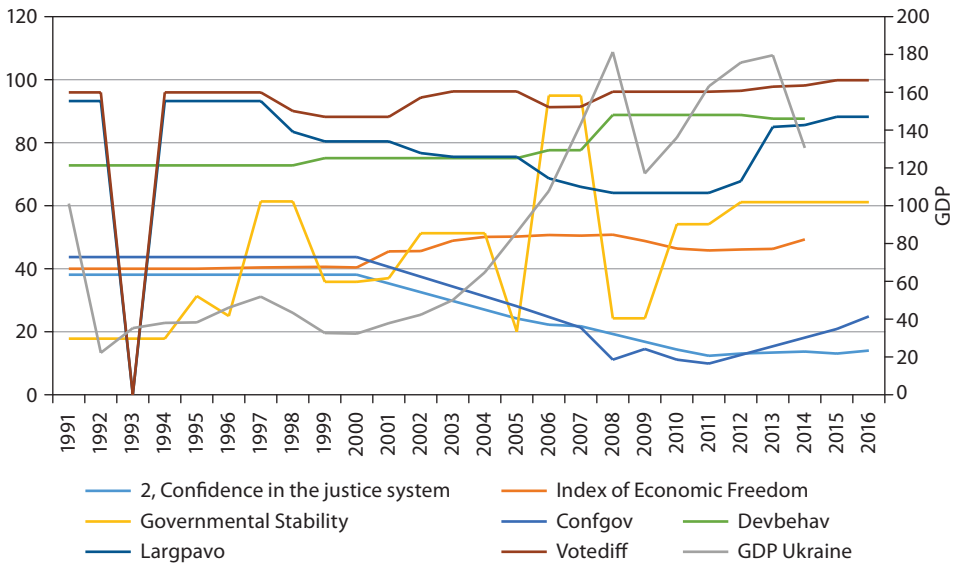
Significance level: \* =  $p < 0.05$ ; \*\* =  $p < 0.01$ .

Source: own elaboration.

Considering our correlation analysis between GDP per capita growth and our indices, we have other significant variables compared to the previous. Table 1 shows a positive, weak Spearman's rho between GDP per capita growth and government stability, which is significant on our estimated significance level. For both coefficients (Spearman and Kendall's) we can observe a weak negative, statistically significant coefficient between GDP per capita growth and the Democracy Egalitarian Index. The index of economic freedom is also statistically significant: It has a moderate positive correlation (0.585) due to Spearman's rho and a weak positive correlation (0.435) due to Kendall's tau. The correlation analysis provides a statistical assessment but does not explain the causality of the transformation process and connections to GDP changes.

The correlation analysis of GDP per capita/GDP per capita growth and government stability showed that all coefficients have positive values, but only the Spearman's rho between GDP per capita growth and Government Stability is higher than 0.3 (0.41) and statistically significant. Combining correlation and graph analysis we find some support for the thesis that Government stability affects GDP per capita and its growth.

The further graph analysis for absence corruption index and index of economic freedom does not provide descriptive information for transformation changes within society and effects on GDP per capita growth. The assessment results illustrate the moderate correlation coefficient GDP and index of economic freedom for Spearman's correlation coefficient (0.58) and Kendall's Tau correlation coefficient (0.43). The correlation coefficient GDP per capita and rule of law for Spearman's correlation coefficient (0.57) and Kendall's Tau correlation coefficient (0.34) demonstrate moderate correlation. The GDP per capita and voice and accountability are significant for Spearman's correlation coefficient (0.51). This data confirms the necessity of political stability in society as the prerequisite of successful transformation.



**Figure 1. GDP and factor effects in transformation process in Ukraine**

Source: Based on the data of Democracy Barometer and Heritage Foundation (2018).

Figure 1 demonstrates GDP and factors' effects in the transformation process, where the curves of the government stability, confidence in the justice system, and GDP reveal relatively inter-related changes over the period from 2004 to 2018. The curve of the index of economic freedom has a flat character that indicates that economic reforms do not have an important effect on the transformation process. Further graph analysis of Devbehav curve, Largpavo curve, Votediff curve could be provided after the assessment of their essence. Devbehav curve shows behavioral dialogue as a share of citizens, which do not endorse behavior, and attitudes that are directed against the democratic society in period  $t$  (percentage). Largpavo curve reflects the margin of electoral concentration of votes;  $\text{Comp} = 100\% - \text{pstrongest}$ , where  $\text{pstrongest}$  = percentage of votes obtained by the strongest party (percentage). Votediff curve demonstrates 100-difference between largest and second-largest lower house party in the percentage of all votes (percentage). The curve of confidence in government and Devbehav, Largpavo, Votediff curves have inverse direction from the curves of the government stability, confidence in the justice system, and GDP. It points to the crucial role of political and legal reforms in the establishment of democratic institutions, civil society, and democratic state based on the rule of law, property rights. The significant change in the Largpavo curve reflects the transformation in the political system, the party system, the electoral system, the degree of the decentralization of the political decision-making process in the last decade.

Nonetheless, Ukraine, as well as other post-Soviet countries in Eastern Europe and Eurasia, has weaker institutions than countries with similar levels of economic development. The difference is particularly stark when comparing Ukraine with its neighbors that joined the European Union in the early 2000s (Global Risks, 2014).

Transformation strategy of reforms suggests the following developments: institutional direction of institutional change, market institutions, property rights, and legal systems, commercial law application, formal and informal rules formation, trade and capital liberalization,

convertibility of exchange rate, foreign investment regulation, restructuring of state-owned enterprises, privatization, and deregulations.

## 5. Conclusions

The development and normal functioning of democratic institutions, creation of effective new institutions, renovation, independence of the institute of power, property institute, achievement of transparency of the activity of institutes of state, business, civil society based on intensification of work of alternative social institutions of state establishment ensure transformational change. The main tasks in the field of transformation include ensuring political stability by observing the legal basis of the behavior of the state, business, compliance with contracts, fulfillment of the basic principles of the courts and other bodies of justice, functioning of independent professional regulators, development of technological institutes, and creation of social partnership institutes.

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# Constructing Change: The Influence of Education on Female Social Entrepreneurs

Cecile Nieuwenhuizen, Thea Tselepis

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**Abstract:** **Background:** Female entrepreneurs often take on a role as “social change agents”, and yield innovative solutions to the social problems in the communities where they live and/or work. Entrepreneurial women in developing contexts are often challenged with limited resources when they attempt to solve these social problems in their communities. The paper focuses on the role education plays (if any) in women’s ability to solve complex problems and create social value.

**Research objectives:** The primary aim of this paper is thus to explore the influence that education has on social entrepreneurial women in Africa’s social value creation.

**Research design and methods:** For this study, we followed a quantitative research method. The population consists of all female social entrepreneurs (FSEs) from Africa that are Ashoka Fellows (142 persons). Data were analysed in the SPSS). We made use of descriptive statistics and correlation analysis.

**Results:** This insight enables us to make recommendations for the social entrepreneurial realm in terms of the importance of education and training programmes for social entrepreneurs but in addition make recommendations based on the good practice of social entrepreneurs.

**Conclusions:** We argue such social entrepreneurial women have to apply their knowledge in innovative ways in an attempt to solve complex problems in communities in order to create social value.

**Keywords:** women entrepreneurship, social entrepreneurship, education

**JEL Codes:** L26, L31, I21

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## **1. Introduction**

Any entrepreneurial behaviour contains elements of innovation and an ability to manage resources to enhance value (Grabara et al., 2020). In this regard, the Schumpeterian view of change agents applies because Schumpeter (1934) views the entrepreneur as a person who can change an existing situation into an improved one by managing resources in innovative ways. In line with this view are the views of Jilinskaya-Pandey & Wade (2019) and Kickul & Lyons (2020) that social entrepreneurs can create this change and innovative social value. Social entrepreneurs, therefore, innovate social value to yield positive change.

How exactly this positive change or value is yielded in the social entrepreneurial realm is under-researched, especially in the developing context (Chandra, 2018). Moreover, female entrepreneurs who often take on a role as “social change agents”, yield innovative solutions

to the social problems in the communities where they live and/or work (Yunis et al., 2018). Moreover, entrepreneurial women in developing contexts are often challenged with limited resources when they attempt to solve these social problems in their communities (Rosca, et al., 2020). We argue in this paper that such social entrepreneurial women therefore have to apply their knowledge in innovative ways in an attempt to solve complex problems in communities to create social value.

However, a question is what role education plays (if any) in these women's ability to solve complex problems and create social value? The primary aim of this paper is thus to explore the influence that education has on social entrepreneurial women in Africa's social value creation. This insight enables us to make recommendations for the social entrepreneurial realm in terms of the importance of education and training programmes for social entrepreneurs but in addition, make recommendations based on the good practice of social entrepreneurs. The objectives of the paper are to determine the value creation of the FSEs in the study and the influence of education on the social value sharing of the FSEs in the study.

The paper commences with a literature review on the social entrepreneurial process of value creation and the role of knowledge construction within this process. The methods and materials are then provided, followed by the results and discussions. The conclusions with their implications are offered to end the paper.

## **2. Literature review**

The literature review provides an overview of social entrepreneurship as a process of problem-solving and value creation. It then provides a discussion on the role of knowledge creation in social value creation.

### ***2.1 Social entrepreneurship as a process for problem-solving and social value creation***

Social entrepreneurship has no distinct definition, but most scholars agree that social entrepreneurship involves: innovation (Jilinskaya-Pandey & Wade, 2019), pursuing opportunity (usually connected to a social context) (Dees, 2018), that change is brought about (Chandra, 2018), and that social needs are met through the social entrepreneurial process (Mair & Marti, 2006). Mair and Marti (2006, p. 3) define social entrepreneurship as: 'a process involving innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs.' However, another important aspect that we believe is critical in the social entrepreneurial realm, beyond addressing social needs, is social value creation. In this regard, Gandhi and Raina (2018) are of the opinion that the essence of social entrepreneurship is mainly motivated by social value creation. Other scholars such as Mair and Marti (2006) as well as Spieth et al. (2019) concur that this social value creation, as a primary goal is what distinguishes social entrepreneurship from commercial entrepreneurship.

Bearing in mind the above, one may argue that the social value is yielded also to address social needs and may be viewed as solving problems because meeting needs implies that there is a current situation that needs to be improved (changed). In addition, we acknowledge that value can be created in this problem-solving process beyond meeting needs only and that social value is perhaps more than meeting needs.

Social value can be conceptualised from various perspectives, but the "value" in social value is often aligned with some dimensions from the management sciences (Peredo & McLean, 2006; Hlady-Rispal & Servantie, 2018). Hlady-Rispal and Servantie (2018) have surveyed

the construct and unpack social value in terms of some influencing factors that also relate to commercial entrepreneurship, namely: 1) values and skills of the (social) entrepreneur in value creation, 2) the use and distribution of resources by the social entrepreneur when innovating (value capturing) and 3) value sharing (including interaction with others in a social system for example). Therefore, dimensions of the management sciences, therefore, seem applicable to describe relevant aspects of social value.

What is clear from several studies is that value creation in the entrepreneurial realm (including social value) through the problem-solving process may require innovative thinking. For this reason, design thinking is often associated with social entrepreneurship and creating value in social contexts or social change (Chou, 2018; Kickul & Lyons, 2020). In this regard, the work of design thinking philosopher Richard Buchanan may apply to the creation of social value (in this case by social entrepreneurial women).

Buchanan (2019) offers four principles of design thinking that may relate to any context that requires a human-centred perspective to create social change. Therefore, this study considers the four principles appropriate for creating/designing social value. These four principles are: 1) Create to meet needs (this entails meeting social, physical or psychological needs), 2) Create the useful (this entails creating products, services or systems that support people in accomplishing their goals), 3) Create for good (this entails that the creator affirms the proper place of human beings in the world in terms of their natural or spiritual order), 4) Create for just (this entails that an equitable and ethical relationship amongst humans is supported through the creation).

Keeping in mind these four principles that can be applied in social entrepreneurial contexts, we argue that social value may also be aligned to these principles when complex problems are solved. Moreover, it may well be that female social entrepreneurs apply their feminine "power" to create social value. Such feminine power according to Ubalijoro (2018), involves and ability to yield transformation in communities. In this regard, transformation may involve both transforming problem situations into better situations by taking care of the needs of people, and creating useful products, services or systems.

It would be important, however, to acknowledge that a social entrepreneur can create social value and apply the provided principles only if they are able to construct knowledge during their problem-solving processes because these principles link to higher-order thinking. The following section elaborates on such knowledge construction.

## ***2.2 The role of knowledge construction in creating social value***

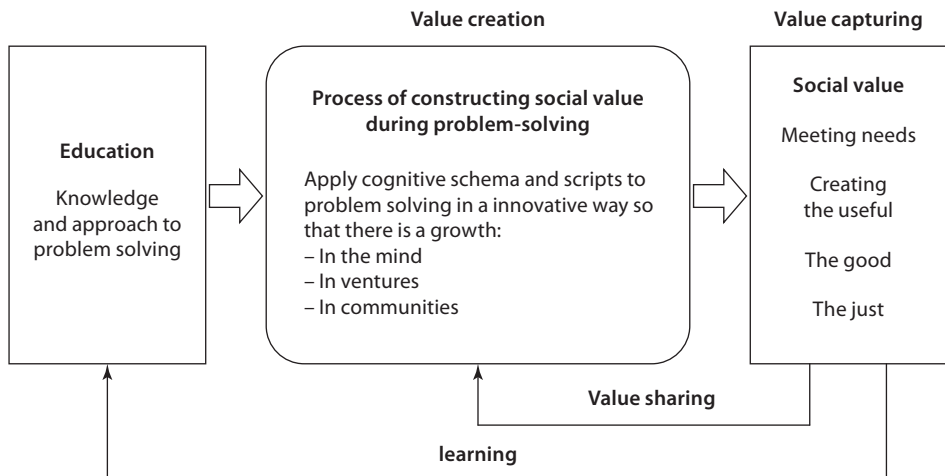
Education plays an important role in creating what Pryor et al. (2016) refer to as cognitive schema, and mental shortcuts are referred to as mental. Simply put, a mental schema can be viewed as a mental file in a person's mind and is used as a frame of reference when the mind is expanded with new knowledge (Wendland, 2010). Mental scripts are more specific than schema with the exact order of events in a certain context developed by an individual's experience, including their educational experience, and it is strengthened by social experiences (Posen & Chen, 2013). The role that education plays to enable the growth of the mind by contributing to scripts, and thus eventual schemas should thus not be underestimated.

Mental schemas enable entrepreneurs (in this study, the female social entrepreneur) to form new beliefs about opportunities or imaginative solutions to problems (Pryor et al., 2016). Imaginative problem solving is equated to innovation in the entrepreneurial context because it is an act that requires the application of creativity for supporting, conceiving and consider-

ing various new alternatives/possibilities (Felin & Zenger, 2009). One may therefore argue that the more advanced the mental scripts of social entrepreneurs, the better they are equipped to acquire new information, which may enable them to create even more useful innovative solutions to problems and perhaps grow their ventures in such a way. This phenomenon of “growth” in mind (and consequently of ventures) through adding new knowledge to existing scripts to construct new knowledge, is an approach to thinking and can be viewed as a constructivist approach.

A constructivist approach may be viewed as an individual’s approach to sense-making or synthesising new knowledge from existing knowledge as new experiences occur (Mesgari & Okoli, 2019; Vaghely & Julien, 2010). The relevance of existing knowledge, as well as the ability to construct knowledge are thus important in sense-making. Existing knowledge and an ability to construct knowledge (or a constructivist approach to problem-solving) is therefore not possible without an ability to learn. Again, education may play an important role in a person’s (in this case the female social entrepreneur’s) ability to learn or how they make sense of problems and their solutions in order to create social value. An ability to learn may therefore also be relevant in order to create social value if a complex problem with various iterations during the problem-solving process is applied.

The above conjecture compiled and argued from the literature review is summarised in a conceptual framework for this study.



**Figure 1. Conceptual framework for the study**

Source: own elaboration

In Figure 1 the relevance of education in the growth of mind and ventures is illustrated in the context of social entrepreneurship. The process of constructing social value during problem-solving can be viewed as value creation, while the value capturing is the actual labels provided to the social value that results from the creation process. Value is shared between the creation process and the capturing thereof implying there is communication between social entrepreneurs and the communities they serve.

### 3. Material and Methods

For this study, we followed a quantitative research method. The population consists of all female social entrepreneurs (FSEs) from Africa that are Ashoka Fellows. Ashoka Fellows are social entrepreneurs who are innovative and contribute to the social good. Internationally there are 3500 Ashoka Fellows on the Ashoka web page (Ashoka Southern Africa, 2020). For this study we identified all the female Social Entrepreneurs (FSE) from Africa of which there were a total of 142, from the global Ashoka database of 3500. The 142 FSE from Africa is the sample of this study. Based on the detailed profiles of the 142 Ashoka Fellows we completed a comprehensive questionnaire for each of the FSEs. Additional information was obtained from those FSEs who have web pages for their businesses. The questionnaires were completed by a research assistant and finalised and verified by the researchers.

The questionnaire was developed based on the objectives (see Table 1) and reviewed the literature to collect information on:

- The highest level of qualification of the FSE.
- Business categories, i.e. business; economic development, education and training; employment; gender, health and social issues.
- Whether the business is growing or merely sustaining.
- Whether the business has a website or not.
- The type and level of innovation.

The questions relevant to the objective of this study were coded and statistically analysed for descriptive analysis and to determine correlations.

For this paper three objectives were set and operationalised as follows in Table 1.

Data were analysed in the Statistical Package for the Social Sciences (SPSS) version 25. We made use of descriptive statistics and correlation analysis. In the correlation analysis, cross-tabulations were done to determine the significance of correlations between different variables with Fisher's Exact test for two-by-two tables, and to determine the strength of the correlation used Phi for the effect size. Pearson Chi-Square test was used to test the significance of correlations for larger than two-by-two tables and Cramer's V to determine the effect size and strength of the correlation. The variables tested for correlations included level of education, growth or sustaining of the business, the type and level of education and whether the businesses have websites or not.

**Table 1: Operationalisation of objectives**

Objective	Dimensions (with possible indicators) to measure objectives	Rationale	Link to main argument
1. To determine the influence of education on the social value capturing of the FSEs in the study	Value capturing (Level of education) (Growth)	Growth was seen as an outcome of value creation and therefore operationalised under value capturing in the findings Also growth is often how the education seemed to be manifested or seemed evident	Knowledge construction and learning probably have relevance to all objectives (thus learning is implied)

Objective	Dimensions (with possible indicators) to measure objectives	Rationale	Link to main argument
2. To determine the value creation of the FSEs in the study	Value creation (Level of innovation) (Focus of business)	The level of innovation (in terms of type of problems that are solved as well as the focus of businesses) was believed to provide a narrative on the value creation and this data could be extracted from the secondary data set	Knowledge construction and learning probably have relevance to all objectives (thus learning is implied)
3. To determine the influence of education on social value sharing of the FSEs in the study	Value sharing (Websites) (Growth)	The information at hand from the secondary data set was websites and had some statistical significance in relation to growth	

Source: Own elaboration.

Ethical considerations were also kept in mind. The data set for this study was compiled from information that was in the public domain. The requirement from Ashoka indicates that we should keep social entrepreneurs anonymous. An Ethical Clearance application to conduct the study was submitted to the College of Business and Economics Research Ethics Committee, University of Johannesburg, South Africa, and permission to do so was granted on 31 March 2020 with the Ethical Clearance Code 20SOM04.

## 4. Results and Discussion

Results and discussions are offered with their relevance to the objectives.

### ***Objective 1: To determine the influence of education on the social value capturing of the FSEs in the study***

The education of the FSEs in the study is firstly provided. Table 2 reflects the highest level of education of the FSE in the study. At 46,5% (Baccalaureates) + 21,1% (Master and Doctor) = 67,6% the majority of FSEs are graduates. At 21,1% graduates with Master and Doctorates represent 31,6% of graduates. These are indications that the education level of FSEs is high.

**Table 2. Level of education of FSEs**

Highest level of education	Frequency	Percent	Valid Percent	Cumulative Percent
School & Post Matric	46	32,4	32,4	32,4
Baccalaureate	66	46,5	46,5	78,9
Master & Doctor	30	21,1	21,1	100,0
Total	142	100,0	100,0	

Source: Own elaboration.

The next aspect reported in Table 3, is whether businesses of FSEs were growing or merely sustained. At 58,5 % the majority are growth businesses as opposed to businesses that are merely sustained.

**Table 3. Businesses sustaining or growing**

Assessment of business development	Frequency	Percent	Valid Percent	Cumulative Percent
Growth	83	58,5	58,5	58,5
Sustaining	59	41,5	41,5	100,0
Total	142	100,0	100,0	

Source: Own elaboration.

Cross tabulation was done to determine whether there is a correlation between the level of education and the growth or sustaining of the business. Table 4 shows that the majority of businesses owned by graduates grow, namely 63,6% owned by Baccalaureates and 76,7% owned by Master and Doctorates, whereas the majority (60,9%) of businesses with owners having school and some post matric education remained sustainable.

**Table 4. Cross tabulation of the highest level of education with growth or sustaining of business**

			Q2		Total	
			Growth	Sustaining		
Q1	School & Post Matric	Count	18	28	46	
		% within Q1	39,1%	60,9%	100,0%	
	Baccalaureate	Count	42	24	66	
		% within Q1	63,6%	36,4%	100,0%	
	Master & Doctor	Count	23	7	30	
		% within Q1	76,7%	23,3%	100,0%	
	Total		Count	83	59	142
			% within Q1	58,5%	41,5%	100,0%

Source: Own elaboration.

To test the significance of the difference between the groups a Pearson Chi-square test was done (Table 5).

At 0,003 the alpha level is less than the 0,05 cut off point indicating a significant relation between education and the growth of FEAs in the study's businesses.

The level of significance was determined with Cramer's V and the effect size. At 0,289 the Cramer's V effect size is less than 0,3 indicating a low effect. Thus, although there is a statistically significant correlation between level of education and growth the effect is small.

**Table 5. significance of the difference between the groups in terms of education and growth of businesses**

	Value	df	Asymptotic Significance (2-sided)
<b>Pearson Chi-Square</b>	11.900*	2	<b>0,003</b>
Likelihood Ratio	12,080	2	0,002
Linear-by-Linear Association	11,351	1	0,001
N of Valid Cases	142		

\* 0 cells (0.0%) have expected count less than 5. The minimum expected count is 12,46.

Source: Own elaboration.

**Table 6. Cramer's V and the effect size (symmetric measures)**

		Value	Approximate Significance
Nominal by Nominal	Phi	0,289	0,003
	Cramer's V	0,289	0,003
N of Valid Cases		142	

Source: Own elaboration.

These results from the inferential statistics confirm the notion of Pryor et al. (2016) and Posen and Chen (2013), that the level of education has an impact on the level of growth of a business. Thus, confirmation of the importance of education in the proposed framework (Figure 1). The type of education is not as important as the notion that some sort of education enables FSEs to construct knowledge in order to grow businesses, probably due to an ability to solve problems as discussed in the literature.

Table 7 provides a summary of the social value capturing of the FSEs in this study. The form of the social value of most FSEs in this study is opening a new market (54,2%) which means that these FSEs are creating social value by meeting needs according to Buchanan's (2019) principles as well as Introduction of a new product or service (30,3%) which can also be translated to Buchanan's (2019) meeting needs. Very small percentages are yet to be seen under creating "the good" or "the just" and one might argue that the dire circumstances in Africa still call for more basic forms of social value creation, as opposed to the more abstract levels of social value creation.

**Table 7. Social Value capturing**

Indicator	Dimension	Frequency	Percent	Valid Percent	Cumulative Percent
Introduction of new product or service	Meeting needs	43	30,3	30,3	30,3
Introduction of new method of production (or operation)	Creating useful	7	4,9	4,9	35,2
Opening a new market	Meeting needs	77	54,2	54,2	89,4
Utilisation of new resources of supply for raw materials or intermediate goods	Creating useful	9	6,3	6,3	95,8



Indicator	Dimension	Frequency	Percent	Valid Percent	Cumulative Percent
Carrying out some new organisational form of the industry	The good and/or the just	6	4,2	4,2	100,0
Total		142	100,0	100,0	

Source: Own elaboration.

To answer objective 1: the influence of education on the social value capturing of the FSEs in this study therefore suggests that it firstly enables them at least to some degree, to grow their ventures and secondly seems to enable the majority of them to meet needs by opening new markets or introducing new services or products.

***Objective 2: To determine the value creation of the FSEs in the study***

In order to answer objective 2, the levels of innovation, as well as the focus of the businesses, were explored. The Level of Innovation (Table 8) shows Product and service innovation (78,2%) as the level of the vast majority of FSEs. These levels of innovation can be viewed in the context of the former results on the dimensions of social value creation. It is in line with the meeting needs of communities and therefore would make sense that the majority of the level of innovation is still products and services that meet needs of communities where the FSE's are involved.

**Table 8. Level of Innovation (during value creation)**

Level of Innovation	Frequency	Percent	Valid Percent	Cumulative Percent
Operational innovation	9	6,3	6,3	6,3
Product service innovation	111	78,2	78,2	84,5
Business model innovation	18	12,7	12,7	97,2
Architectural & Management innovation	4	2,8	2,8	100,0
Total	142	100,0	100,0	

Source: Own elaboration.

Table 9 illustrates the focus of FSEs. In Table 9 it is apparent that the focus of most FSE's businesses are Economic and Environmental change (which includes Business & Social Enterprise, Development & Prosperity and Environmental Sustainability) (33,8%) and Children & Youth and Education & Learning (28,9%). Bearing in mind the developing context where resources often present challenges (Rosca, et al., 2020), these focus areas of the businesses are not surprising.

Considering objective 2: the focus of the business is also considered with reference to the social value creation in objective 1 even when one only looks at the descriptive statistics. What is interesting is the dimensions of "the good" and "just" in terms of social value that actually emerges when one considers the strong focus on "Children & Youth" and "Education & Learning" from the second objective. Unfortunately, no further data was available to provide more detail on this occurrence (focus on "the good" and "just", yet the innovation and social value seem to be on meeting needs still). This occurrence may indicate either: 1) that the focus of the business is ill-defined or 2) that the FSEs might aim for a higher level of engagement with these

**Table 9. Focus of Business**

Focus of Business	Frequency	Percent	Valid Percent	Cumulative Percent
Children & Youth and Education & Learning	41	28,9	28,9	28,9
Economic and Environmental change	48	33,8	33,8	62,7
Civic Engagement and Citizen & Community Participation	12	8,5	8,5	71,1
Human Rights and Equality	16	11,3	11,3	82,4
Health and Fitness	21	14,8	14,8	97,2
Peace & Harmonious Relations	4	2,8	2,8	100,0
Total	142	100,0	100,0	

Source: Own elaboration.

communities yet, are forced by circumstances to meet the urgent needs of the people first. Such needs may be more concrete in the areas of “Children & Youth” and “Education & Learning” (for example meeting basic needs such as food before social justice). This occurrence may look very different in a developed context where the focus of the social entrepreneurial venture may well be on higher levels due to the governmental support for meeting basic needs. What can be deduced is that the FSEs in this study at least focus on the meeting needs of Children and Youth as well as in the area of Education and Learning implying that they are able to apply their own minds to solve problems in these areas. In this regard, it is also noted that the social value creation in terms of transformative power/energy of the women in this study is applied to meet the needs of the younger generation. Not surprisingly, this is in line with the findings of Veras (2015) who found that female entrepreneurs are more prone to address societal needs that yield social improvement.

**Objective 3: To determine the influence of education on the value sharing of FSEs in the study**

Value sharing in this study could be indicated with websites as the Ashoka fellows (social entrepreneurs) make use of a general website, but in addition, then have an option to create their own websites.

Table 10 indicates whether the business has a website or not. At a narrow majority of 52,7% most businesses do have a website.

**Table 10. Business has a website or not**

Having website?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	74	52,1	52,1	52,1
No	68	47,9	47,9	100,0
Total	142	100,0	100,0	

Source: Own elaboration.

Cross tabulation was done to determine whether there is a correlation between the level of education and whether the business had its own website (or not). Table 11 shows at 70%, the vast majority of FSEs with Master of Doctor degrees have websites, 53% of Baccalaureates have a website and the minority (39,1%) of School and Post Matrics have websites. One may there-

fore deduce that the higher the qualification the more probable the chance of the FSE having a website. This has implications for her ability to communicate their value sharing to others.

**Table 11. Level of qualification and website (crosstab)**

			Q3		Total
			Yes	No	
rQ1	School & Post Matric	Count	18	28	46
		% within rQ1	39,1%	60,9%	100,0%
	Baccalaureate	Count	35	31	66
		% within rQ1	53,0%	47,0%	100,0%
	Master & Doctor	Count	21	9	30
		% within rQ1	70,0%	30,0%	100,0%
Total		Count	74	68	142
		% within rQ1	52,1%	47,9%	100,0%

Source: Own elaboration.

**Table 12. Pearson Chi-square test**

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.975*	2	0,031
Likelihood Ratio	7,117	2	0,028
Linear-by-Linear Association	6,894	1	0,009
N of Valid Cases	142		

\* 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 14,37.

Source: Own elaboration.

**Table 13: Cramer's V for the effect size (symmetric measures)**

		Value	Approximate Significance
Nominal by Nominal	Phi	0,222	0,031
	<b>Cramer's V</b>	0,222	0,031
N of Valid Cases		142	

Source: Own elaboration.

**Summarising:** Table 11 shows at 70% the vast majority of FSEs with Master or Doctor degrees have websites, 53% of Baccalaureates have a website and the minority (39,1%) of School and Post Matrics have websites. To test the significance of the difference between the groups (those with websites and without websites) a Pearson Chi-square test was done (Table 12). At 0,031 the alpha level is less than the 0,05 cut off point, indicating a significant relation between education and growth. In Table 13 the level of significance was determined with Cramer's V and the effect size. At 0.222 the Cramer's V effect size is less than 0,3 indicating a low effect. Thus, although there is a statistically significant correlation between the level of education and a website the effect is small.

These results indicate that social entrepreneurs with a higher level of education are more inclined to share value with a website. Through their websites, they communicate and share value not only with their communities but also with other relevant stakeholders that can contribute to the growth and impact of their businesses. This result can be linked to the following results that show the importance of a website to the growth of a business.

**Table 14. Growth and website**

			Q3		Total
			Yes	No	
Q2	Growth	Count	64	19	83
		% within Q2	77,1%	22,9%	100,0%
	Sustaining	Count	10	49	59
		% within Q2	16,9%	83,1%	100,0%
Total		Count	74	68	142
		% within Q2	52,1%	47,9%	100,0%

Source: Own elaboration.

**Table 15: Pearson Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)
Pearson Chi-Square	50.013*	1	0,000	
Continuity Correction**	47,631	1	0,000	
Likelihood Ratio	53,599	1	0,000	
Fisher's Exact Test				0,000
Linear-by-Linear Association	49,661	1	0,000	
N of Valid Cases	142			

\* 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 28.25.

\*\* Computed only for a  $2 \times 2$  table

Source: Own elaboration

**Table 16: Cramer's V (symmetric Measures)**

		Value	Approximate Significance
Nominal by Nominal	Phi	<b>0,593</b>	0,000
	Cramer's V	0,593	0,000
N of Valid Cases		142	

Source: Own elaboration.

Cross tabulation was done to determine whether there is a correlation between the growth or **sustaining** of FSEs in this study's businesses and whether the business had a website or not. The results in Table 14 show that the majority of businesses that grew have websites (77,1%) whereas only 16,9% of sustainable businesses have websites. To test the significance of the

difference between the groups a Pearson Chi-square test was done (Table 15). At 0,000 the alpha level is less than the 0.05 cut off point indicating a significant relation between **growth and a website**. In table 15 the level of significance was determined with Cramer's V and the effect size. At 0,593 the Cramer's V is larger than 0,5 meaning that the effect of a website on the growth of a business is large.

Regarding objective 3: there is a correlation between the level of education and the presence of a website, namely that social entrepreneurs with a higher level of education are more inclined to have web pages for their businesses, with 70% of those with Post graduate qualifications that have websites. Website content development and maintenance is a creative process that requires creativity, skill and experience (Louw & Nieuwenhuizen, 2020; Hisrich & Soltanifar, 2021). These results show the importance of websites in the growth of a business and confirm the importance of innovative thinking (Dyduch, 2019; Agarwal & Mulunga, 2022) and design thinking (Buchanan, 2019) to create social value that in turn enables positive change.

## 5. Conclusions

Social value creation in this study happens in innovative ways as it is predominantly new services and products and new markets that is created to meet the needs of communities. Although this study has limitations in terms of only reporting on levels of education of FSEs, there is a difference between graduates' and no-graduates' ability to grow their business. Having noted this, we do not have the information on what kind of education the FSE's had and make the conclusion that it is ultimately about an ability to be innovative and construct new knowledge in order to solve the problems that they are faced with. This is evident when one views the FSE's ability to yield social value by meeting the needs mainly in the areas of education and learning and the meeting needs of youth and children. There is something to be said for this theme of future-forward thinking and in this regard, (Murphy & Gash, 2020) note that a constructivist ultimately has a growth mindset. Similarly, we note FSE's ability to create social value through innovation and in this regard their creativity is confirmed. New products and services and new markets are created. One may argue that the word "created" in this particular context can also be equated to "constructed". In this regard, social value is constructed. The implications are that knowledge construction goes hand in hand with the construction of solutions that meet needs of communities and training that allows new knowledge creation should not be underestimated.

Finally, it is important that social value is also shared. Unfortunately, a limitation of a secondary data set is that researchers are limited to the data available. In terms of value sharing, the role of digital technologies and specifically the role of a website could be extracted from the original data set. It has to be acknowledged that this is not the only way of sharing social value, but proves to be a powerful tool in our study as it has an influence on the growth of the business. In this regard, education seems to play a role again and the creativity and skill to share value through digital technologies such as a website in this study is acknowledged.

Further studies may consider looking into the types of qualifications that female social entrepreneurs have in relation to the fields where they create social value. It would be useful to see qualitative studies that describe the projects and endeavours that female social entrepreneurs take on when they create social value. Moreover, studies that attempt to understand the role of gender within the value creation can be done by comparing the social value creation of female and male entrepreneurs.

We conclude and concur with Rieckmann (2018) that skill, knowledge and attitude (in this case that is required from a social entrepreneur) is what enable competency. Competency is needed for value creation, value capturing and value sharing which lead to positive social change and in this particular study seems to be supported at least to some extent by education. The implications are that any further training on awareness of the types of value creation, the types of innovation, construction of knowledge in the process of innovation, creative problem solving and the sharing of value creation might enhance the competency of social entrepreneurs to construct positive change in communities.

To conclude this paper we honour the social entrepreneurial women who construct the solutions to problems in Africa, yielding positive change in communities. This paper confirms that knowledge is power!

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# Yukker: Focus on an Innovative Social Start-Up

Patrizia Accordino, Raffella Coppolino, Carlo Giannetto, Elvira Tiziana La Rocca

**Abstract:** **Background:** Innovation is a central topic in social entrepreneurial inquiries and is recognised as playing an important role in successful social experiences. However, the relationship between networks and social venture formation is still an open question.

**Research objectives:** The study aims to analyse the business model of innovative digital start-ups with social goals and to identify and understand the elements influencing their birth, growth, and business performance.

**Research design and methods:** The paper uses a single case study research design focused on the innovative social start-up "Muoviti in libertà" and its app – Yukker.

**Results:** Analysing the Yukker business model has allowed to identify and understand crucial elements influencing innovative social start-ups' birth, growth, and business performance.

**Conclusions:** It is essential to design a network to increase relationships for entrepreneurship and for performing better in strategic and leading change.

**Keywords:** Social innovation, start-up, Italy, social start-up

**JEL Codes:** L31, M13, O35

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## 1. Introduction

According to the Social Innovation School of Thought on Social Entrepreneurship, innovation is a key feature, one of the two research approaches within the American academic tradition (Dees, 2001). Thus, the relationship between networks and social venture formation is still an open question (Smith et al., 2012). Specifically, prior literature on tie formation and the new venture has neglected the concept development process, which instead is a significant aspect of the entrepreneurial innovation motive and is related to the social entrepreneur activity since the enterprise's inception. The innovative entrepreneur does not act in isolation, and the search for ideas, feedback, and social support could leverage the dynamics of her innovations. Strong relationships at the start-up inception are relevant in obtaining resources, while weak ties facilitate discovering opportunities. Indeed, weaker ties connect far clusters of groups of individuals because non-redundant social ties provide people with novel information facilitating the discovery of opportunities. The change process of a product concept in a radical context occurs through shifts of individual concept components (Purdue, 2001). The dynamics of the tie, forming during the early stages of the new venture, bring in new ideas and cognitive

materials needed to change, adapt, and develop the novel product concepts after the initial idea generation of the entrepreneur.

The paper's objective is to analyse the business model of innovative digital start-ups with social goals to identify and understand the elements influencing their birth, growth, and business performance. Indeed, they synthesise different factors concretely impacting efficiency and productivity.

The current paper is structured as follows: Section 2 describes the research context and background, Section 3 introduces the materials and methods, Section 4 presents the main findings and discussion of our analysis, and Section 5 concludes and offers some implications.

## 2. Literature review

### *Social entrepreneurship and innovation*

Social entrepreneurship is a phenomenon with a growing business impact that has attracted the attention of the management literature in the last two decades (Seelos & Mair, 2007; Short et al., 2009). Despite the increasing number of studies on social ventures, the field still suffers from the same definitional uncertainties as the leading entrepreneurship field (Landström et al., 2012; Lundstr & Halvarsson, 2006; Zahra & Wright, 2011; Steyaert, 2007). Despite the efforts of scholars to clearly define the concept of social entrepreneurship and delineate its boundaries, the debate about social entrepreneurship is still open and concerns different issues. The first one regards the extent to which social entrepreneurship is similar to and/or different from commercial entrepreneurship and is a legitimate domain of inquiry in its own right (De Maria, 2014). Scholars in management and organisation science are divided between those who sustain the legitimacy of social entrepreneurship as a domain of academic inquiry and others who remain unconvinced about the need to treat it as a distinct field of research because it is not different from other forms of entrepreneurship (e.g., cultural, institutional, public, corporate) already analysed in the literature. It is not clear how the study of this type of entrepreneurship adds theoretical values (De Maria, 2014). The field of social entrepreneurship has been addressing new topics and opening new lines of research that replicate the recent strings of inquiry of the entrepreneurship domain. At the inception of the research, many contributions centred on a social entrepreneur who – tackling social problems, identifying in them an opportunity, and innovatively exploiting them – provides new solutions to social needs (Mair & Martí, 2006).

More recent contributions shifted the research focus to the venture formation process and dynamics of social enterprises. It has been suggested that a social venture's network of relational ties plays a crucial role in its formation (Waddock, 1991; Sharir & Lerner, 2004; Austin et al., 2006). Other studies have recently highlighted that social innovation is a key feature of new ventures' birth (Kerlin, 2006). Social entrepreneurship (SE) has become a phenomenon with a growing impact due to the increased number of social ventures (Seelos & Mair, 2007; Brooks, 2009; Short et al., 2009). Furthermore, it is consolidating as an emerging research stream (Hemingway, 2005; Tracey & Jarvis, 2007; Zahra et al., 2009). Despite the growing attention by scholars to social entrepreneurship, academic literature appeared still fragmented (Mort et al., 2003), and this fragmentation is mirrored by the variety of definitions of social entrepreneurship (Galera & Borzaga, 2009). Social entrepreneurship is conceived as a process of social value creation, involving the innovative use and combination of resources to address social needs that are not met by traditional organizations. Innovation is a central topic in social entrepreneurial

inquiries and is recognized as playing an important role in the most important and successful social experiences (De Maria, 2014).

### ***Innovative start-ups***

Innovation intended as the opportunity of creating new lines of production and unexplored process, by modifying existing ones and finding alternative solutions and resources, is considered a crucial factor to foster development and growth, implementing the challenge of competitiveness, and also favouring social challenges (Gault, 2018). In addition, the expansion of the Internet and related digital technologies play an essential role in reaching global markets in a short time by reducing costs, speeding communication, and helping environmentally correct processes and productions (Amit & Zott, 2001). In this context, innovative start-ups are a key factor due to their dynamism and capacity to renew the local knowledge base, especially if they mainly act in digital technologies, in which business models are enormously digitised (Bradley et al., 2015). Among innovative start-ups, there are ones linked with a social goal, generally intended as firms bringing about a significant, positive change that addresses a social challenge by efficiently impacting the well-being of communities, individuals, and the planet as a whole (Phills et al., 2008).

Innovative entrepreneurship needs to be supported by the Government, which could propose and update the regulatory framework in order to increase their outcomes in terms of economic performance (Wong et al., 2005; Mason & Brown, 2014). More specifically, it is important to consider the chance to access finance and, possibly, promote alternative financing methods and investments in intellectual capital; provide incentives intended as exemptions, deductions and tax credits for investors and similar facilitations for the firms involved (Juma & McGee, 2006).

### ***The Italian “industrial strategy”***

Italy was the first European Country to introduce a legal framework targeted in favour of innovative start-ups and SMEs and also devoting significative rules to innovative start-ups with a social goal. According to article 2, paragraph 1 of the Decree-Law no. 155 of 24 March 2006, the latter must operate in specific areas of action: social work, healthcare and social care, education and training, environmental protection, social tourism, undergraduate and postgraduate education, cultural services etc. To obtain recognition of the social and innovative start-up status, they must prepare a “social impact assessment document” and review it annually to maintain the status. As a consequence of being classified as innovative start-ups with a social goal, they can enjoy both financial and legal benefits.

The Italian “industrial strategy” in favour of innovative start-ups is based on the Decree-Law no. 179/2012 on “Further urgent measures for Italy’s economic growth” converted into Law no. 221/2012, and on the following Decree-Law no. 3/2015 – known as “Investment Compact” – devoted to innovative SMEs. It is a mix of several policy instruments: contribution for the acquisition of property, plant, and equipment; credit lines granted to innovative projects based on the use of industrial property rights; more flexible labour laws; facilities to access financial sources such as new Legislation about crowdfunding; exceptions to bankruptcy (Accordino, 2017). The legal framework was issued complying with European Union State aid rules, about which the European Court of Justice is strictly vigilant (Boria, 2015).

Deepening their features, innovative Italian start-ups with social goals are mainly created under the legal form of limited liability company. The mainstream economic literature highlights that, complying with the social context, they mainly propose process and service innova-

tion, while a minor percentage is interested in product innovation. Indeed, they try to meet social needs by finding innovative solutions to implement human environmental and health issues (Gallo & Vannoni, 2021). Due to the Italian general framework, it is also interesting to consider that this kind of start-up usually does not require any form of social lending.

### 3. Research design and method

Our paper uses a case study approach focused on the innovative social start-up “Muoviti in libertà” and its Yukker app. Through its app “Yukker”, this start-up offers services of intermediation between persons with disabilities and tutors that meet their needs. The choice of this start-up derives from the interest that its presentation aroused in an event at the University of Messina, dedicated to new opportunities for people with disabilities to face and overcome the challenges that their condition. This single case study was considered proper to in-depth analyse the role of social value in the pursuit of business performance and vice versa and answer our research question, which is: how do “Yukker dynamics” could allow firms to achieve business success by satisfying social needs?

#### Data collection

The main data sources for empirical analysis are direct and indirect. As a first step, we collected data on the company’s website to gather information on the history and the main characteristics of its business model. In the second step, we collected data available online such as documents, articles in newspapers or magazines, reports, and official documents (Kozinets 2002). In the third step, with the help of the information collected and in the light of what has been analysed in the reference context, we have drawn up a series of questions that were presented by administering an interview with an open-ended questionnaire (Harris and Brown, 2010) to the founder of the company Giacomina De Maria. The interview guidelines derive from the qualitative coding of the collected data (Corbin & Strauss, 2014) that pinpoint the “key-words” of the company and are summarised in Figure 1.



Figure 1. Summarised keywords of Yukker

Subsequently, the answers were analysed independently by all the research group members who later shared the observations and identified some critical factors that characterise the company's work. The main results were emphasised in the following section.

### Case study presentation

Yukker is a specific project born from the idea of Giacoma De Maria (Founder), at the end of a research path started in 2010 with the study of social innovation processes, networking, and social enterprise governance models, carried out as part of a PhD in Management at the Cà Foscari University of Venice.

**Table 1. Yukker: main data and facts**

Foundation	March 2019
Headquarters	Messina (Italy)
Founder	Giacoma De Maria, project creator. Her activism in associations linked to the disability world, and her direct experience inspired Yukker's idea.
Peculiarity	Yukker is an app and a web platform that offers the possibility of "spot" assistance when needed, fast and everywhere, that is "when" and "where" it is needed.
Services offered	using technology to provide assistance services to people with disabilities and the elderly. For instance, hygiene and care; shopping and errands; transportation by operator's means; transportation by the user's means; assistance and accompaniment for activities outside the home; companionship at home; meal preparation and assistance; housing cleaning; assistance in the use of computers; sign language.
Main phases	
July 2019	With the support of the Nuovi Orizzonti association, "Yukker, Muoviti in Libertà" was selected from over 500 applications as part of the Gaetano Marzotto Award, among the technological projects to be supported with an incubation process.
2021	Call INVITALIA "Smart and Start" and "ON" <a href="https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/smartstart-italia">https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/smartstart-italia</a> <a href="https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/nuove-imprese-a-tasso-zero">https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/nuove-imprese-a-tasso-zero</a>
2022	"Give a Coupon" free subscriptions to Yukker's innovative services to people with disabilities or the elderly ... which are distributed through associations operating in the area.
Revenue model	
Annual subscription	The fee will be paid by each user who intends to use Yukker's services and will give the right of access for one year from the moment of payment of the fee.
Basic training	Each assistant can purchase a "basic" training package at the time of registration which entitles you to a higher rating than your profile visible by users of the service. The training will be online and will have an annual cost for each training module. In the first 6 months of testing the training will be free.
Advanced training	Each assistant will be able to purchase an advanced training package. This training will give the right to a higher "rating" which will be highlighted in the assistant's profile (through a greater number of stars assigned) thus giving a greater chance of being selected for the provision of the service.
Investments	
Implemented	APP and YUKKER platform Communication and recruitment of YUKKER operators Messina is the pilot city of the service which will soon be available also in Padua and Frosinone. The platform is constantly expanding, and the goal is to extend it nationwide

Scheduled	Enhancement of communication activities Strengthening the recruitment and training of operators Enhancement of Yukker APP services
Funding sources	
At the beginning	Crowdfunding
Later	contributions from members, partners, grants

Source: own elaboration based on: Yukker founder interviews and company's website [www.yukker.it](http://www.yukker.it).

Yukker's goal is to facilitate the independence of people with disabilities and the elderly in carrying out various activities in their free time, study or work, and the need to live their daily lives with the same freedom of choice as other people. Going for a pizza, ice cream or just going for a walk are all activities that most people take as obvious. This is not the case for those who are not autonomous in the smallest daily gestures. Very often the organization of such activities depends on the availability of others, family or friends or assistants available at fixed times. Asking is not easy and creates dependence. For people with disabilities, it is often difficult to find who can assist them to go for a walk, to the bookshop or to the cinema, at a short notice.

Services offered are simple and fast and allow people with disabilities to enter their request for assistance in a large database of selected operators, who will quickly provide their availability for a fee or voluntarily.

People looking for an operator must register and publish the request specifying what is needed; the user will receive the proposals of those who apply to take charge of the service and can view their profiles, reviews for the services already offered, and the price.

People who offer themselves as an assistant are asked for their curriculum vitae, an identity document, and any specific certificates; an interview will then be held, following which, if successful, the profile will be enabled to respond to user requests. The benefits for the operator (who provides assistance) are also several. Yukker helps the operator to be found more easily by those in need of assistance. The operator can propose only the requests that best match their skills and competencies and choose those closest or in the time slots that best meet their needs and work availability.

Direct competitors are companies of social cooperativism (for example, easy care home assistance <https://easycareassistenza.it/>) or non-profit companies (for example, express care of the network for Autonomy – APS <https://expresscare.it/>) who use technology to facilitate the search for personal assistants, carers, and home helps.

Unlike its competitors, Yukker has the specificity of offering the possibility of requesting spot assistance. For example, "tonight I want to go to the cinema, but I have no one to accompany me". I enter my request, indicating the date, place, time, the type of service requested. In real-time, my request is notified to all Yukker operators in the area.

The indirect competitors are the social cooperatives that help through traditional communication channels.

Paying attention to the case study, it is possible to underline that "Yukker" was founded in 2019, and it follows the most selected legal form. It offers services using an app and a web platform, enabling persons with disabilities to find and choose a personal assistant where and when needed, even for a limited time.

The assistance services that can be requested are Hygiene and care; Shopping and errands; Transportation by operator's means; Transportation by the user's means; Assistance and

accompaniment for activities outside the home; Companionship at home; Meal preparation and assistance; Housing cleaning; Assistance in the use of computer; Sign language.

The service offered by Yukker is quick and easy. It allows the person with a disability to enter his or her request for assistance in a large database of operators, selected, who will quickly provide their availability for a fee or voluntarily.

Subscribing to Yukker costs only €9.90 per year, a symbolic price for the user. The operator, on the other hand, subscribes to Yukker for free. The subscription covers the cost of Yukker's mediation service; it does not include the hourly fee due to the operator, which is paid directly each time the operator performs a service.

The operator can offer himself assistance services by charging an hourly fee or voluntarily. To ensure that users receive the best possible assistance, operators are provided with a free three-quarter-hour online introductory course.

Yukker enjoyed many incentives provided by Government. Exemption from the obligation to pay annual fees to the Chamber of Commerce, secretarial fees, with attached stamp duties, due for registrations with the Business Registry. Zero per cent interest financing and non-repayable grant of up to 20% of investment and operating expenses.

The feature that makes it different from many start-ups with a social goal is that Yukker raised the registered capital for the establishment of the company through crowdfunding in 2019. Therefore, investors could benefit from deductions from their income.

## 4. Findings and Discussions

In the contest highlighted, the start-up under investigation could drive the wave of the phenomenon of digital technologies through the app, which is gaining ground even in the disabilities sector and has the potential to become a driver of change due to the reduction of waiting times, the new ways of booking and paying.

Starting from the idea of speeding up and, simultaneously, customizing the relationship, YUKKER could expand its business, becoming highly competitive in a sector characterised by very stringent constraints.

From our analysis, we have identified three main critical success factors:

- entrepreneur profile,
- value proposition and value creation,
- tax and financial incentives.

The founder and principal shareholder of Yukker represents a strong entrepreneur profile. She is both a leader and a strong motivator who has identified and caught a business opportunity by organising several resources and taking economic and financial risks. She has the characteristics of outstanding commitment, creativity and, novelty, flexibility and is also a skilled organiser.

Yukker's value proposition is realised through key activities, partners, and networks. The key activities, such as Research and Development, represent a strategic factor for the continuous updating of the app and for developing new features necessary to satisfy the demand for new services. Other strategic elements are communication and networking to ensure widespread services knowledge among users and to reach a large number of local assistants. A communication strategy will be implemented via social media and with national and local associations dealing with disabilities.

The core activity is intermediation, but the perception of the quality of the work is based above all on the relationship between the assistant and the assisted and, for this reason, we can distinguish two types of critical resources: the internal ones that are taken care of and updated through the activities of R&D and external R&D, i.e. those who support the people with disabilities and who, in reality, is not a stable part of the company staff. The construction of a capillary network of assistants/volunteers in the area represents a resource that is difficult to reproduce and/or transfer by competitors, as it is based on a fabric of collaboration relationships established with third-sector associations in the specific field of disability, territorial and sponsorships with universities.

This leads to the key partners and networks, such as local authorities or philanthropic institutions, which purchase subscriptions for their users, becoming increasingly important for business. This network makes it possible to overcome the initial barrier of the intermediation service's annual cost, which risks limiting its diffusion. Key partners and networks include the New Horizons international association, Ali Blu social cooperative, University of Messina, Cà Foscari University of Venice, Campus Treviso, Cattolica Foundation and various training institutions for social welfare operators and social health operators.

Concerning tax and financial incentives, it is relevant to underline that the duty of certifying the actual social dimension of the start-up, representing all intents and purposes in an accurate and reliable prediction by exposing qualitative and quantitative data, is a relevant factor to stimulate investors by showing them the potential impact in economic, social, and environmental terms.

Indeed, it is clear that the start-up model with a social goal is based on a mission aimed at creating value beyond mere financial return. Nevertheless, the provision of tax incentives and the opportunity to join public calls for funds, in the circumstances like those pointed out in the case study selected – in which it is possible to offer a clear and complete representation of the actual situation – is an enabling factor suitable to take advantage of alternative sources of financing like crowdfunding, so to solve the difficulties in obtaining bank loans and similar measures.

## 5. Conclusions

The case study investigated suggests some key interesting conclusions and implications regarding innovative digital start-ups with social goals. Analysing the Yukker business model has allowed us to identify and understand some crucial elements influencing innovative social start-ups' birth, growth, and business performance.

A strong entrepreneur profile is present in the innovative social start-up analysed, involving all requirements based on openness personality, experience, and motivation (Bruni et al., 2004; Poropat, 2009). Previous experience was essential to start Yukker faster than others, with innovative behaviour and readiness to invest in the new company over a lifetime. More willingness to catch new opportunities and self-confidence to overcome the fear of failure are features linked to great entrepreneurial motivation.

Yukker's value proposition integrates operators, customers, and other agents in very innovative ways in relation to the services and, significantly, implements a set of key business activities through internal and external organisations, allowing them to be more efficient, to respond better to all interested parties and thus to create value (Amit & Zott, 2001).



It is essential to design a network to increase relationships for entrepreneurship and for performing better in strategic and leading change. Established new collaborations with third parties have improved the Yukker business model; due to the enhanced duties enabling Yukker to release an effective framework of distinctive features involving social objectives, the firm has significantly increased its chance of success.

The proposed methodology and the focus on a single case do not allow for the generalisation of the results, but the primary purpose of this work was to identify the critical factors of value creation and success of a consolidated, innovative start-up with a social vocation, being this analysis reliable via triangulated results (Kelliher, 2005). This is also a function of a future longitudinal analysis to better identify the organisational dynamics through which the company achieves its economic objectives by explicitly pursuing social goals.

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# An Exploration of Social Entrepreneurship Ecosystems in Thailand and Myanmar

Michael Jack Meallem, Stifani Herpich

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**Abstract:** **Background:** Although the social enterprise ecosystems in Thailand and Myanmar are at different levels of development, they share common challenges that need to be addressed to ensure that the sector lives up to its potential of helping these countries fully achieve their Sustainable Development Goals.

**Research objectives:** The aim of this research is to identify common issues that social entrepreneurs in Thailand and Myanmar are facing within the ecosystems they operate in, and thus recommend specific actions that institutions of higher education in Thailand and Myanmar can take to support these ecosystems develop.

**Research design and methods:** This research utilised desk-based secondary research from existing country reports, and primary research in the form of online surveys and focus groups with different stakeholders such as social entrepreneurs, local government officials and educators.

**Results:** We identified several common challenges that social enterprises in these two countries face which include the centralisation of key ecosystem actors, lack of funding access, poor impact measurement and misconceptions of the sector as a whole among stakeholders.

**Conclusions:** As a result of the research findings, we have provided several policy recommendations to higher education institutions wishing to engage and support their local social enterprise ecosystems.

**Keywords:** social enterprise, social enterprise ecosystem, higher education institutions, entrepreneurship, Thailand, Myanmar

**JEL Codes:** I23, L26, L31

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## 1. Introduction

Since the 1970s, Thailand has made remarkable progress in social and economic development, moving from a low-income to an upper-income country in less than a generation with strong gains along multiple dimensions of welfare (World Bank, 2022). However, the country still faces many challenges in striving to achieve the Sustainable Development Goals such as growing inequality, an ageing population, low social mobility, education inequality, and environmental degradation (Sachs et al., 2021). Myanmar, by contrast, has experienced a very different economic and social development curve. Decades of military rule came to an end in 2015 with the election of a democratic government and resulted in significant economic growth and an almost halving of poverty levels (World Bank, 2022). However, the military coup of 2021 and the

impact of the covid-19 pandemic have left the country far behind its regional peers in terms of achieving meaningful progress on the sustainable development goals (Sachs et al., 2021).

Although Thailand and Myanmar are at different levels of development, there remain common challenges such as growing inequality, demographic shifts, low social mobility, education inequality, and environmental degradation that need to be addressed to ensure these countries fully achieve some of the Sustainable Development Goals. These challenges have led to an increasing interest in the use of social entrepreneurship to address these pressing issues within Thailand and Myanmar's societies by delivering both social impact and economic benefit.

While Social Entrepreneurship may be an economic reality in many Asian countries such as Thailand and Myanmar, it usually applies to small businesses struggling to make money with no prospect to grow. Social entrepreneurs either do not know that they are social entrepreneurs or have no knowledge on how to scale their business to make a real impact on society. Additionally, social entrepreneurship may not be a desirable career path for young people, which is partly due to the scarce educational offerings in higher education institutions. Innovative, disruptive business ideas need to emerge to not only tackle the societal challenges in the countries, but also to give students the possibility to acquire skills needed by the labour market to allow them to play an active role in society and achieve personal fulfilment.

This paper aims to answer two main research questions. Firstly, what specific issues are social entrepreneurs in Thailand and Myanmar facing within the ecosystems they operate in, and secondly, what specific actions can institutions of higher education in Thailand and Myanmar take to support these ecosystems' development. To answer these questions, we firstly assessed the situation of social entrepreneurship in both countries. Secondly, with an understanding of the ecosystems within which they operate, we identified which challenges are common to both countries through a GAP analysis and then identified specific actions institutions of higher education in Thailand and Myanmar can take to support these ecosystems.

The information for this research was gathered from six universities in Thailand and Myanmar that are partners in an Erasmus+ Capacity-building project titled 'Strengthening innovative social entrepreneurship practices for disruptive business settings in Thailand and Myanmar' (STEPUP). This research utilised desk-based literature reviews from existing country reports, and primary data collected from surveys and focus groups conducted by the six project partners with different stakeholders such as social entrepreneurs, local government officials and educators.

The first section of this research paper presents a comprehensive literature review of previous studies of the social enterprise ecosystems of Thailand and Myanmar. Next, the research methodology is presented as well as an overview of the tools and materials used to gather the information. The section on results will present the findings and highlight the key areas of interest to the reader and finally, the conclusion will present concrete actions that we recommend higher education institutional actors take to address the gaps identified in the research.

## 2. Literature review

In this section, we will address some of the most recent/relevant literature that discusses social entrepreneurship, and entrepreneurial ecosystems (EE), and will focus on the cases of Thailand and Myanmar. This is not intended to be a complete meta-study on social entrepreneurship ecosystems, but a brief exploration of this topic in support of our more focused exploration of the Thailand and Myanmar cases. Therefore, we will first explain what social

entrepreneurship (SE) and entrepreneurship ecosystems (EE) are and how they might come together, and then explore some of the studied countries' reports.

### **Social entrepreneurship**

Social entrepreneurship is an area that is still being studied and has different meanings, but for the purpose of this paper, we will use the definition of Klimas and Wronka-Pośpiech (2022, p. 37), which explains it as a “process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs”. The pivotal moment for the appearance of social enterprises is often connected with dissatisfaction with the global priorities that are destructive to social well-being, and governments that lack effectiveness in solving social challenges (Roy & Hazenberg, 2019). SEs, therefore, have a mission to diminish or resolve social and/or environmental disparities, just like charities and NGOs, while at the same time being profitable companies. However, the rule of the social enterprise is that you can scale up and maximise profit as long as it is a consequence of the social or environmental development you're creating; it is not about wealth accumulation (Hartigan, 2006). According to Dwivedi & Weerawardena (2018), a social entrepreneurship organisation comprises six dimensions, the most important of which is effectual orientation and the second one being social mission, which means that a company needs to be economically viable in order to deliver social value. This type of business model bridges “the gap between the world of business and the social world” (Garcia-Jurado, Perez-Barea & Nova, 2021, p. 10) and can be seen as a hybrid organisation with a connection to innovation and systems thinking that create social value (Mair & Martí, 2006).

### **(Social) Entrepreneurship ecosystems**

In general, entrepreneurial ecosystems (EE) are made up of a variety of actors, including those from the public and private sectors, institutions, and society, as well as entrepreneurs and others who are much more specialised, like incubators and accelerators (Bouncken & Kraus, 2021). They are interconnected regionally and serve the purpose of increasing local entrepreneurial performance (Alvedalen & Boschma, 2017). However, the entrepreneur who – through EE – creates new opportunities is the one who has a primary place in the EE and is the fundamental actor in establishing and sustaining the ecosystem (Klimas, Patrycja & Wronka-Pośpiech, 2022).

There is no substantial literature on SEE that provides a clear definition of it, since social entrepreneurship, and entrepreneurial ecosystems have been studied separately. However, relationships between the two can be seen (Villegas-Mateos & Vázquez-Maguirre, 2020), and in one recent country report from Thailand, the SEE is already addressed (British Council, 2020) through the identification of players that are SE oriented. The other two country focused reports used in this review, don't address EE specifically to social entrepreneurship. Nonetheless, in another older report on Thailand (IDB, 2016) social enterprises are related to innovation ecosystems, and therefore, the supporters are also for both, social and “conventional” enterprises. The country report of Myanmar (ANDE, 2019) shows a snapshot of an even broader entrepreneurial ecosystem that attends to all small and medium enterprises, and it addresses social enterprises as a “type” of business within this arena. These differences between the two countries might be related to the fact that in Thailand there is a more developed context for social enterprises, while in Myanmar, it is still in its infancy.

Social enterprises, as well as B-Corps, community-based enterprises, cooperatives, and similar organisations, tend to arrange themselves already connected to several stakeholders, approaching more holistically the impact and value creation, taking into consideration partners, beneficiaries, and customers alike. Given their effectual orientation, their entrepreneurial behaviour will focus on using the resources available to them, such as networks (Dwivedi & Weerawardena, 2018). This behaviour difference, however, focuses on the entrepreneur themselves. In regard to supporting organisations, differences can also appear. For instance, financial investors for social enterprises are different from the ones from regular enterprises because they focus on impact investment, which is made by the private sector to obtain social and financial gain (Ashoka, 2015). Governments can only influence SEE through the development and enhancement of policies and programs, however, there is proof that entrepreneurship policies can boost economic growth as a requirement for creating jobs and reducing poverty (Villegas-Mateos & Vázquez-Maguirre, 2020).

According to the British Council report (2020), SEs need the support of three other groups of organisations:

- Enabling organisations, such as incubators, accelerators, and support programmes
- Finance organisations, such as impact investors, and other funders
- Educational organisations, such as higher education institutions, research institutes, and support organisations, like collaborative hubs or labs to connect students with entrepreneurs for instance.

As part of the ecosystem, we can also consider the SEs themselves and local communities. Collaboration between enterprises with a focus on exchanging knowledge and support strengthens the system. Bigger corporations can also take part in the SEE when they intend to transit to an SE business model, however, this is a delicate situation, since they might be motivated to do so out of institutional pressure or tax relief (Doherty & Pichawadee, 2021).

### **The SEEs in Thailand and in Myanmar**

According to reports by the British Council (2020), IDB (2016), and ANDE (2019), the organisation of SEEs in Thailand and Myanmar seems to be growing organically over time with the rise of these business models, as well the rise of innovation and entrepreneurship in both countries.

Thailand has a long history with social enterprises, and the SEE has developed dynamically in the country, especially after 2009 thanks to the influence of the British Council. It is estimated that the number of SEs is over 120.000. However, because not all SEs are registered that way the real number is unknown (British Council, 2020). This can reflect a deficit of common understanding, education, as well as regulation regarding SEs. Nonetheless, there's an increasing involvement from the Thai government, and more policies and legal frameworks have been developed. There's also growing interest from the private sector in supporting SEs. More recently, seeing the risks of co-optation from big corporations, SEs founders created the Social Enterprise Thailand Association, with the intention to keep the sector heterogeneous and focused on its transformative aspects (Doherty & Pichawadee, 2021).

According to the ANDE (2019) report, Myanmar has a growing entrepreneurship and innovation ecosystem. However, there's not yet a specific one related to SEs, which is still considered part of the bigger picture of entrepreneurship. Social enterprise structures are still not part of the enacted Myanmar Companies Law 2017. Also, "there is currently no official legal definition of what constitutes a 'social enterprise' in Myanmar" (Terzieva, Mahajan & Schulte, 2022, p. 154). Given the fast technological growth and smartphone adoption rate of the last

years, more organisations are looking to make finance more accessible with new financing tools and platforms (Cheney, 2017), however, the future of the country is still uncertain, especially since the military coup in 2021, and there are questions regarding how SEEs can continuously develop and what their needs are.

For both Thailand and Myanmar, investments in bridging the gap between universities, social entrepreneurs, and the community can help these SEEs thrive further (Terzieva, Mahajan & Schulte, 2022). However, there is still limited research on what strengths and weaknesses SEE has in each country from the perspective of the actors in the system, and what are the opportunities for their flourishing.

Gaps in the literature about SEE have not been addressed in this literature review, since the purpose of the latter was to outline some concepts that help understand the context of the countries that are being studied. Here were addressed two main concepts, social enterprise, and entrepreneurial ecosystems, and we aimed to create a bridge between them, using the studied countries' reports available. There is not sufficient SEE literature to create a more detailed analysis. However, that opens up opportunities to further explore and analyse literature and case studies of diverse countries/contexts for comparative and/or cultural analysis. We identified in our focus groups with SE practitioners and experts that terminologies that are used in Europe in regard to this subject are sometimes different than the ones used in Thailand and Myanmar, for instance, and that some organisations in one country are more pivotal for the development of the SEs than in the other. This last issue relates to the study of Alvedalen & Boschma (2017), in which the complexity of entrepreneurial ecosystems is addressed. It argues that this framework needs to be analysed with a network approach, looking into not only what actors are in the system, but also what are the relationships between those actors.

### **3. Research design and method**

In this section, we will present the methodology and activities taken to answer the research questions. To be able to achieve the research aim of identifying concrete actions that higher education institutional actors can take to address and support the further development of their social enterprise ecosystems, we firstly answer the question of what the current situation of social enterprises in Thailand and Myanmar is. Once we understand the ecosystems within which social entrepreneurs operate in each country, we can attempt to answer the second question of which challenges are common to both countries by completing a gap analysis and finally identify specific actions institutions of higher education in Thailand and Myanmar can take to support these ecosystems develop.

To fully understand the social enterprise ecosystems in Thailand and Myanmar, a two-pronged approach was undertaken. Desk-based research of existing sources was conducted to develop a detailed picture of the current situation in both countries. The ecosystem was analysed by focusing on six key actors who can have a significant influence on its success: Educational Institutions, Government, Social Entrepreneurs themselves, Funders, Local communities, and Enabling Organisations.

Furthermore, to effectively analyse the status quo of the social enterprise ecosystem in Myanmar and Thailand, we deemed it important to take account of multiple stakeholders' voices. Therefore, the second prong of the approach was to employ a focus group discussion method that allows participation from different stakeholders who are highly involved with the development of social enterprises in both countries. The objective of the focus-group discus-



sion was two-fold: to assess the current situation of social enterprises in Myanmar and Thailand and to identify opportunities and challenges faced by these organisations.

To achieve the above objectives, both quantitative and qualitative research methods were utilised in this study.

Primary data was collected through focus group discussions at each of the six partner universities who were chosen for their geographic location to ensure as complete coverage of the regional ecosystem landscape as possible. The Thai partners comprised Payap University (Northern Thailand), Prince of Songkla University (Southern Thailand), Burapha University (Central Thailand) and Mahasarakham University (Eastern Thailand). In Myanmar, the two partner universities comprised the University of Mandalay (Northern Myanmar) and the National Management Degree College (Central Myanmar). In total 42 participants from 35 different external stakeholders of social entrepreneurship in Myanmar and Thailand including government experts, enabling organisations, industrial associations, academics, and social entrepreneurs were involved in the focus group discussions (Table 1).

**Table 1. University Focus Groups in Thailand and Myanmar**

University Name/ Country	#	Stakeholder Organisation	Category of Ecosystem Actor
Burapha University (BUU) / Thailand	7	<ul style="list-style-type: none"> <li>• Department of Industrial Promotion, Ministry of Industry</li> <li>• Agarwood Farmer Group</li> <li>• Takhiantia Community Enterprise</li> <li>• Thai Beverage, Learn Singha Local Smile Community</li> <li>• Chantaburarak (SE) Co., Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Social Enterprise</li> <li>• Social Enterprise</li> <li>• Enabler</li> <li>• Social Enterprise</li> </ul>
Mahasarakham University (MSU) / Thailand	9	<ul style="list-style-type: none"> <li>• Mahasarakham Provincial Agricultural Agency</li> <li>• University Industry Cooperation Center (UIC-MSU)</li> <li>• Mahasarakham Provincial Agricultural Extension office</li> <li>• Krenid Healthy Snacks</li> <li>• Khaeila Banana Flour</li> <li>• Evergreen Food</li> <li>• Indigo Phesanai</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Education</li> <li>• Government</li> <li>• Entrepreneur</li> <li>• Entrepreneur</li> <li>• Entrepreneur</li> <li>• Entrepreneur</li> </ul>
Payap University (PYU) / Thailand	6	<ul style="list-style-type: none"> <li>• Buddy Homecare</li> <li>• Ban Dek Foundation</li> <li>• STEP CMU</li> </ul>	<ul style="list-style-type: none"> <li>• Social Enterprise</li> <li>• Social Enterprise</li> <li>• Education</li> </ul>
Prince of Songkla University (PSU) / Thailand	6	<ul style="list-style-type: none"> <li>• Office of Agricultural Extension and Development</li> <li>• Songkhla Provincial Agriculture and Cooperatives Office</li> <li>• Bank for Agriculture and Agricultural Cooperatives</li> <li>• SME Development Bank of Thailand (HatYai Branch)</li> <li>• Student Entrepreneur Development Academy (P-SEDA), PSU Science Park</li> <li>• Business Incubation Centre (PSUBIC)</li> <li>• Farmer Market Manager</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Government</li> <li>• Funder</li> <li>• Funder</li> <li>• Education</li> <li>• Education</li> <li>• Social Enterprise</li> </ul>
National Management Degree College (NMDC) / Myanmar	7	<ul style="list-style-type: none"> <li>• Micro, Small and Medium Enterprises Development Department, Yangon</li> <li>• Myanmar Women Entrepreneurs' Association</li> <li>• Social Enterprise Development Association Myanmar</li> <li>• Dana Facility Myanmar</li> <li>• YK Collection</li> <li>• Myanmar Youth Empowerment Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Enabler</li> <li>• Enabler</li> <li>• Social Enterprise</li> <li>• Social Enterprise</li> <li>• Education</li> </ul>

University Name/ Country	#	Stakeholder Organisation	Category of Ecosystem Actor
University of Mandalay (UM) / Myanmar	7	<ul style="list-style-type: none"> <li>• Mandalay Region Chamber of Commerce &amp; Industry</li> <li>• Myanmar Coffee Group Co. Ltd.</li> <li>• Ministry of Investment and Foreign Economic Relations,</li> <li>• Nature Myanmar (Palm Leaf Tableware)</li> <li>• Cooperative University, Sagain</li> <li>• Proximity Designs Social Business</li> <li>• United Nations Conference on Trade and Development</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Enabler</li> <li>• Government</li> <li>• Social Enterprise</li> <li>• Education</li> <li>• Social Enterprise</li> <li>• Enabler</li> </ul>

The above participants were chosen based on agreed upon the following selection criteria:

1. Should have experience within the field of social enterprise/social business/social entrepreneurship
2. Should be stakeholders within the social enterprise ecosystem

Qualitative data was gathered from pre-arranged questions and discussion points to gather the participants' opinions, attitudes, and ideas on social entrepreneurship in Myanmar and Thailand. The focus group moderators were all given an interview guide to ensure consistency and to mitigate some of the known issues surrounding focus group discussions such as disagreements and irrelevant discussion which can distract from the main focus of the research.

The focus group discussion was comprised of four sections:

#### *Section 1: Definition*

A common presentation was developed to ensure consistency around an agreed definition of social entrepreneurship. As part of the development of this research report, the STEPUP project consortium partners agreed on the following definition of social entrepreneurship to be used. "Social Entrepreneurship is the process of applying innovative business models to address social problems (for people and communities) by generating both profit and purpose. Social Entrepreneurship creates long-term value and achieves sustainable impact for society and the connected ecosystem."

#### *Section 2: Online Survey*

Participants were then asked to complete an online survey to generate quantitative data on the participants' perceptions of the state of social enterprises in both countries. The survey was based on questions taken from a 2019 study conducted by Thomson Reuters Foundation (Thomson Reuters Foundation, 2019) which surveyed 45 of the world's biggest economies as ranked by the World Bank to find out which countries are creating the best environment for social entrepreneurs. The online survey asked respondents to rate the following 12 statements based on common challenges social business face: The questions are shown below and focus on 6 key areas (government support, sector attractiveness to skilled staff, availability of financing, public understanding, social entrepreneur's ability to make a living and the sector's momentum as a whole). A total of 55 respondents completed the survey.

1. Conditions are favourable for social entrepreneurs to start and grow their businesses in Myanmar/Thailand
2. Government policy supports social entrepreneurs in Myanmar/Thailand
3. It is easy for social entrepreneurs to get grant funding in Myanmar/Thailand
4. It is easy for social entrepreneurs to access investment (debt and/or equity) in Myanmar/Thailand

5. Social entrepreneurs can access the non-financial support they need (e.g. financial, legal and technical advice; access to markets and networks; coaching, mentoring and training) in Myanmar/Thailand
6. It is easy for social entrepreneurs to sell to the government in Myanmar/Thailand
7. It is easy for social entrepreneurs to sell to business in Myanmar/Thailand
8. It is easy for social entrepreneurs to sell to the public in Myanmar/Thailand
9. It is easy for social entrepreneurs to attract staff with the required skills in Myanmar/Thailand
10. The public in Myanmar/Thailand understands what social entrepreneurs do
11. Social entrepreneurs can make a living from their work in Myanmar/Thailand
12. Social entrepreneurship is gaining momentum in Myanmar/Thailand

### *Section 3: Analysis*

Participants were asked to jointly develop a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of their region/country in terms of their view of the state of the social entrepreneurship ecosystem.

### *Section 4: Recommendations*

Based on the results of the SWOT analysis and the aspects discussed in the previous sections, participants were asked to discuss and answer the following questions:

1. What is important to be developed in your region/country in order to promote Social Entrepreneurship?
2. What is urgent to be developed in your region/country to increase the impact of Social Entrepreneurs / Social Enterprises?
3. Who are the most important stakeholders that can help in developing the social enterprise ecosystem?
4. What past efforts in social entrepreneurship have been made in the region/country?
5. Did these efforts have any economic, social and/or environmental positive impacts in your region/country?
6. Are there any current government policies, regulations or initiatives that promote social enterprise in the region/country?
7. At a local, provincial, or national level, are there any private initiatives that promote social enterprise in the region/country?
8. At a local, provincial, or national level, are there any planned (public/private) initiatives that you're aware of? This refers to initiatives that are not implemented yet but are planned to be designed/developed.
9. What are the sources of funding that are available to social enterprises? either public or private.

In summary the overall process of collecting and collating all of the above primary and secondary data required for the comparison of the ecosystems in Thailand and Myanmar followed the below research methodology:

1. A literature review of available online and offline literature
2. Six focus groups with a set of guidelines to ensure comparability of the data generated.
3. A questionnaire to gather data on the focus group participants' perceptions of the state of social enterprises in both Thailand and Myanmar.

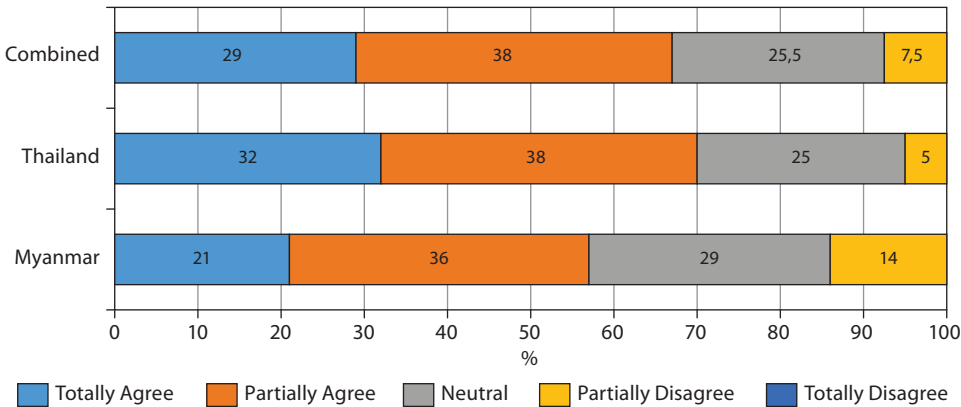
4. Institutional Status-quo reports that included typologies of social enterprises, key actors, regulatory environment, impact measuring and common challenges.
5. Two country reports (Thailand and Myanmar) collated from step 4, to provide an overall view of the state of Social Entrepreneurship in those countries.
6. The country reports were then compared by the research team to firstly summarise the state of social entrepreneurship in Thailand and Myanmar and secondly to highlight the similarities and differences between the two ecosystems using a GAP analysis.
7. Based on the above findings, the research provides recommendations to higher educational institutions and policy makers on possible capacity-building activities.

## 4. Findings and Discussions

### Survey

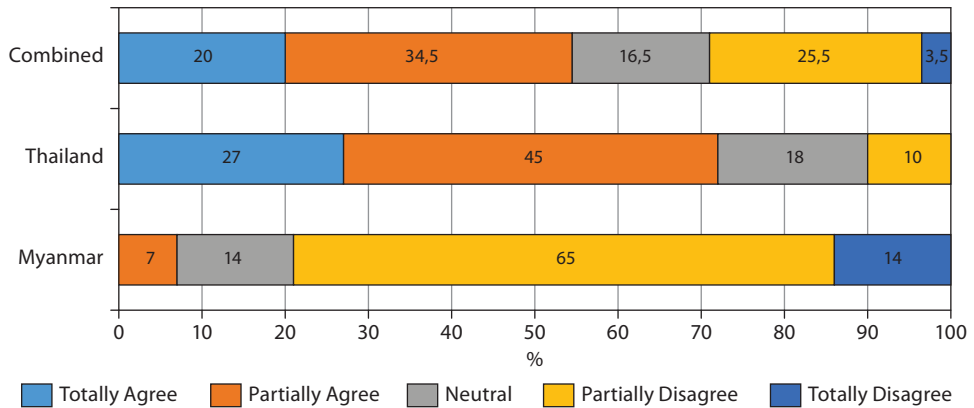
The results from the survey on attitudes towards the ecosystem environments in Thailand and Myanmar are presented below.

The opinions of the respondents in both Myanmar and Thailand were mainly positive (70% and 57% respectively) with regard to the conditions social entrepreneurs face when starting and growing their enterprises (Figure 1). However, given the economic and political situation in Myanmar, it is to be expected that 14% of respondents had a negative outlook versus only 5% for Thailand.



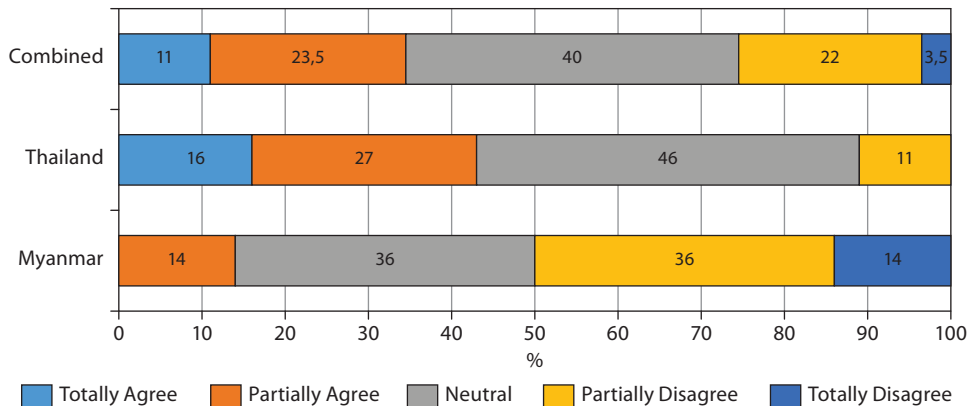
**Figure 1. Opinions about favourable conditions for social entrepreneurs to start and grow their businesses in Myanmar and Thailand**

Respondents in Myanmar had a very different opinion from those in Thailand on the statement regarding government support (Figure 2) for social enterprises with 79% either totally or partially disagreeing as opposed to Thailand, where 72% totally or partially agree. This could be since Thailand has a government agency, the Office of Social Enterprise Promotion (OSEP) charged with developing the ecosystem while Myanmar does not.



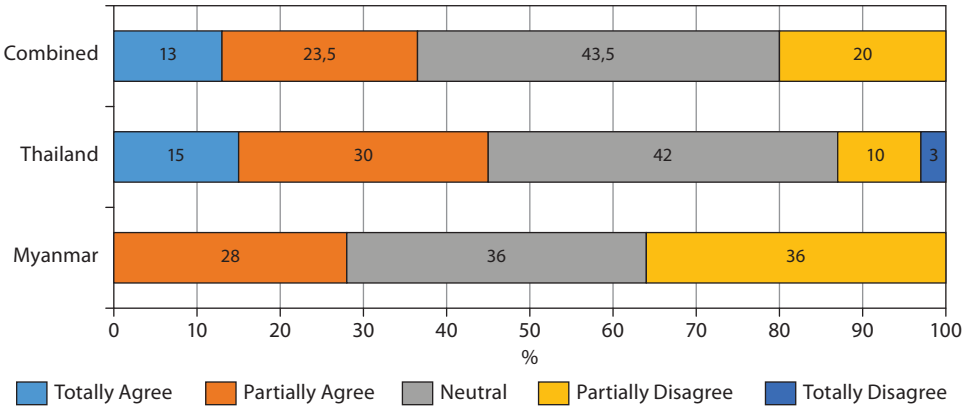
**Figure 2. Opinions about government policy supporting social entrepreneurs in Myanmar and Thailand**

Given the more mature nature of Thailand's national social enterprise ecosystem, it is to be expected that 43% of the Thai respondents had a favourable opinion to this statement on access to grant funding (Figure 3) compared to only 14% in Myanmar.



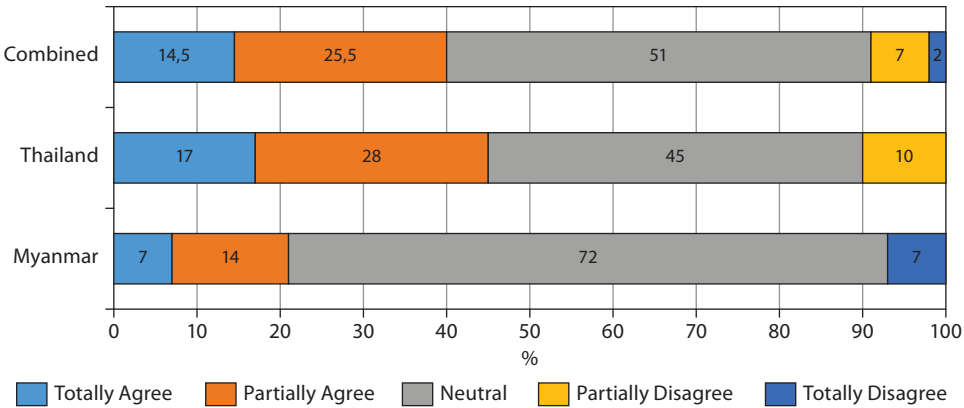
**Figure 3. Opinions about easiness for social entrepreneurs to get grant funding in Myanmar and Thailand**

As with the previous statement on grant funding, respondents in Thailand (45%) had a more favourable opinion of access to investment funding (Figure 4) as opposed to just 14% in Myanmar. This difference can possibly be explained by the fact that Thailand has a more developed and regulated financial market.



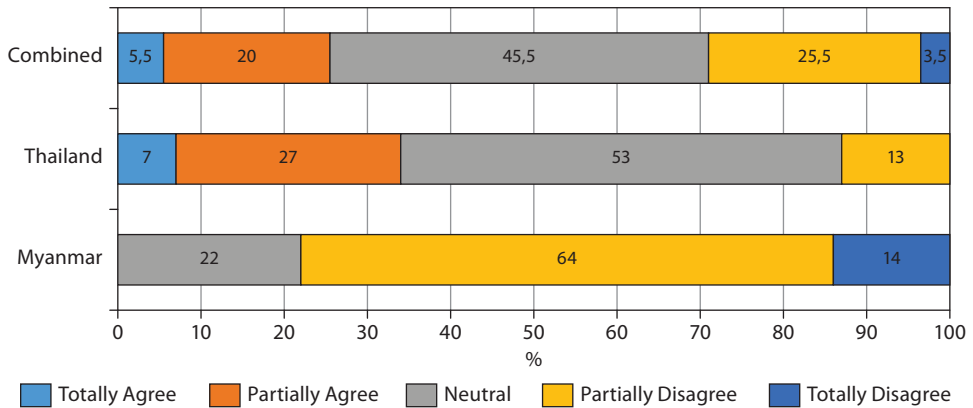
**Figure 4. Opinions about the easiness of for social entrepreneurs to access investment in Myanmar and Thailand (debt and/or equity)**

Overall, respondents in both countries had a neutral opinion (51%) of this statement regarding access to non-financial support for social enterprises (Figure 5). However, Thai respondents still had a more positive outlook with 45% either totally or partially agreeing while in Myanmar it was only 21%.



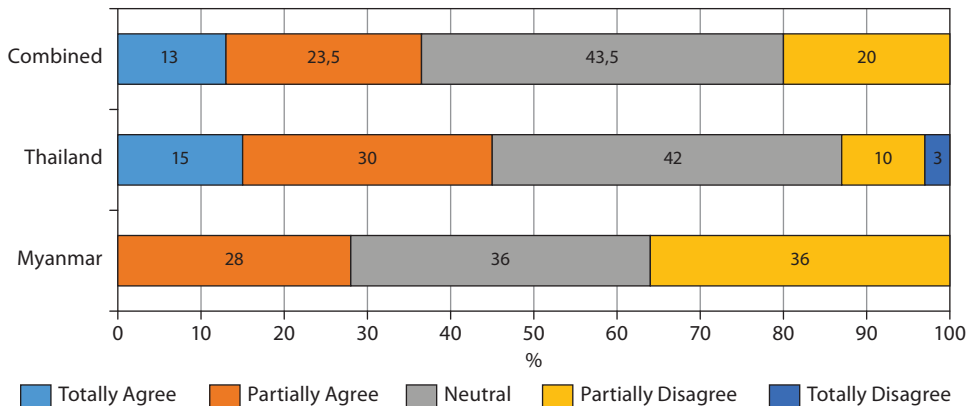
**Figure 5. Opinions about social entrepreneurs' possibility to access the non-financial support**

In terms of the ease of social enterprises selling to their governments on B2G contracts (Figure 6), no respondents in Myanmar agreed with the statement and the vast majority either totally or partially disagreed (78%). Thai respondents had a very different outlook with 34% either totally or partially agreeing and over half (53%) remaining neutral. With the OSEP charged with developing the ecosystem as well as the Thai government's long-standing focus on community enterprises through the OTOP program (One Village, One Product), there are many opportunities for Thai social enterprises.



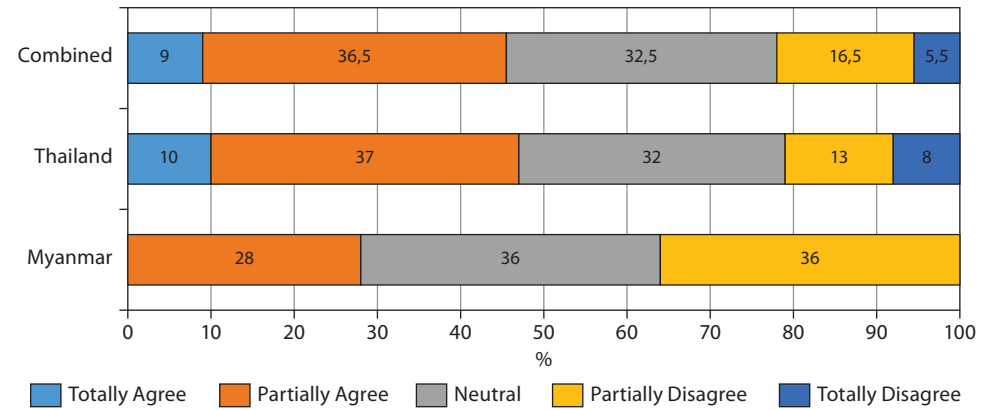
**Figure 6. Opinions about the ease for social entrepreneurs to sell to the government in Myanmar and Thailand**

The results of this statement on selling to other businesses (Figure 7) are not too dissimilar from Thailand to Myanmar with many respondents choosing neutral. However, Thai respondents were more favourable overall with 45% compared to 28% in Myanmar.



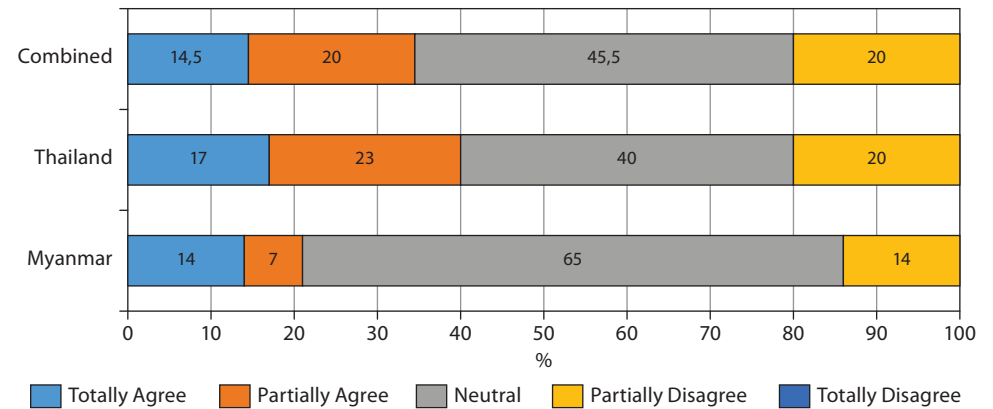
**Figure 7. Opinions about the ease for social entrepreneurs to sell to businesses in Myanmar and Thailand**

In both Thailand and Myanmar around a 1/3 of respondents choose neutral when reflecting on the ease for social enterprises selling to the public (Figure 8). However, while 47% of respondents in Thailand either totally or partially agreed with the statement, only 28% did in Myanmar. This may be due to the longer history of social enterprises in Thailand and other government policies that have promoted community enterprises.



**Figure 8. Easiness for social entrepreneurs to sell to the public in Myanmar and Thailand**

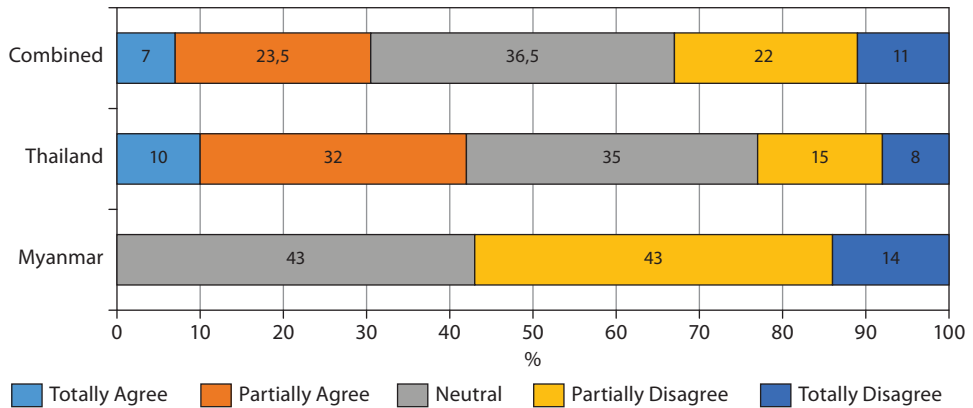
Respondents in both Myanmar and Thailand had a less positive outlook on the availability of skilled staff in their countries (Figure 9) with 79% in Myanmar and 60% in Thailand answering either neutral or partially disagree. This may well be related to the fact that many social enterprises are linked to non-profit community-based and grassroots organisations which traditionally have not focused on income generation activities.



**Figure 9. Attracting staff with the required skills in Myanmar and Thailand by social entrepreneurs**

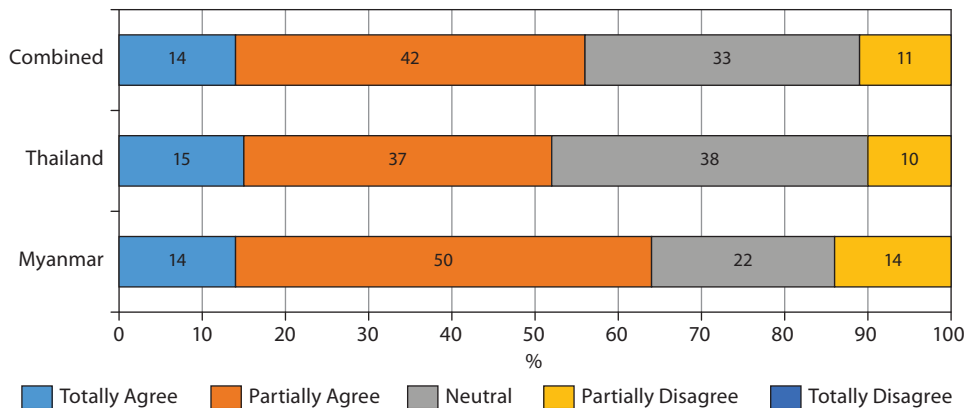
From the responses to the statement regarding the public’s understanding of what social entrepreneurs do (Figure 10), it seems that there is a need for more effective communication, especially in Myanmar, where most respondents (57%) answered either partially or totally disagree.





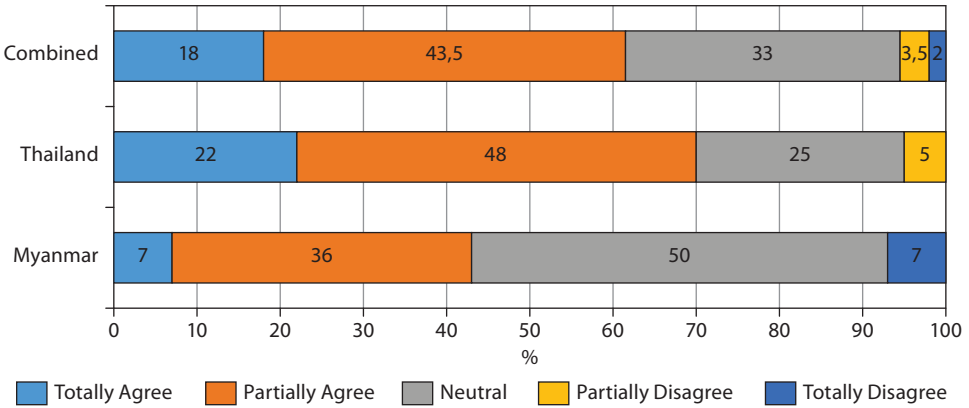
**Figure 10. Opinions about the general public understanding of what social entrepreneurs do in Myanmar and Thailand**

The answers to this statement regarding the ability of social entrepreneurs to make a living from running a social enterprise (Figure 11) were overall positive. 64% of respondents in Myanmar and 52% in Thailand either partially or totally agreed with the statement, with no one totally disagreeing and only 11% combined expressing partial disagreement.



**Figure 11. Opinions about the possibility of social entrepreneurs making a living from their work in Myanmar and Thailand**

Overall, the answers to the statement on social entrepreneurs being able to make a living from their work (Figure 12) were positive (70%). However, in Myanmar, just 43% agreed with the statement. As mentioned already, this seems to reflect the different stages of development of both ecosystems.



**Figure 12. Opinions about the gaining momentum by social entrepreneurship in Myanmar and Thailand**

As can be seen from the above survey results, there was general agreement (Either agreeing to the statements of feeling neutral) among the participants that the conditions in both countries are favourable for social entrepreneurs to start and grow their businesses and that the social entrepreneurship movement is gaining momentum. However, there remain significant challenges such as access to funding (Q.3 and 4)), skilled workforce (Q.9), support ecosystem (Q.5) and a clear understanding of what social enterprises are among the general population who make up SEs target customers and beneficiaries (Q.10).

**Focus Group Discussion**

Each of the group discussions at the six partner universities developed their own SWOT analysis. These were then collated in two country SWOT reports which the researchers then analysed for common issues and developed the following common SWOT analysis of the social entrepreneurship sectors in Thailand and Myanmar was developed using the institutional and country reported data.

As can be seen from the above SWOT Analysis, there exist many areas within the two ecosystems that are viewed as strengths and opportunities by participants from both countries including the role SEs already play in community development, innovation and creativity among the new generation of social entrepreneurs, a developing social entrepreneurship educational sector as well changes in customer buying behaviours, benefits from government policy focusing on attaining the SDGs and an increasing awareness of stakeholder capitalism and responsibility of “big business”.

However, these strengths and opportunities are potentially being undermined by a general lack of understanding of SEs even within ecosystem actors limited business knowledge and skills within the social entrepreneur community, especially those linked to NGOs or foundations, and a concentration of networks and supporting actors in the major cities (Bangkok/ Yangon) of both countries.

**Table 2. SWOT Analysis**

Strengths (Common to Both Countries)	Weaknesses (Common to Both Countries)
<ul style="list-style-type: none"> <li>• Social enterprises already play an important role in community development</li> <li>• Availability of distinctive and unique raw products and natural resources</li> <li>• Innovation and creativity among new generation of social entrepreneurs</li> <li>• Developing social entrepreneurship educational sector</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of understanding outside the SE ecosystem of the role of social enterprise (e.g. CSR vs. SE)</li> <li>• Differing definitions of SE at the local, regional, or country level</li> <li>• Limited business knowledge and skills within the social entrepreneur community, especially those linked to NGOs or foundations</li> <li>• Limited product development know-how</li> <li>• “Mission Drift” and related conflict when NGO/Foundation transition to social enterprise business</li> <li>• Lack of transparency in financial management</li> <li>• Limited capability to access available funding (cost/skills/knowledge)</li> <li>• Often products sold by SE lack quality standardisation (pity-buy)</li> <li>• Limited measurement of social impact</li> <li>• Concentration of networks and supporting actors in major cities (Bangkok/Yangon)</li> </ul>
Opportunities (Common to Both Countries)	Threats (Common to Both Countries)
<ul style="list-style-type: none"> <li>• Change in customers buying behaviours as a result of Covid-19 (more online purchasing, etc.)</li> <li>• Cooperation/exchange with global social entrepreneurship projects/partners</li> <li>• Promotion of value adding through story-telling and product/service uniqueness</li> <li>• Government policy to attain the SDG's may lead to a larger role for SEs</li> <li>• Increasing awareness of Stakeholder capitalism and responsibility of “big business”</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty to obtain information about government support (policies, rules and regulations for SEs are unclear)</li> <li>• Multistep and complicated loan approval process (condition requirement/guarantee system/risk assurance)</li> <li>• Lack of an integrated collaboration between public sector agencies</li> <li>• Covid-19 pandemic and resultant loss of income for SEs (especially in a related industry such as tourism)</li> <li>• There is no appropriate skilled workforce</li> </ul>

From the results of the Social Entrepreneurship survey, SWOT analysis, Focus Group Discussions and Literature Review, the key common challenges facing the social entrepreneurship ecosystems in Myanmar and Thailand can be summarised as follows:

1. In both the primary and secondary research outcomes, a lack of required skill sets by both the social entrepreneurs and business founders, as well as employees, is seen as a major cause for concern. Many of these social entrepreneurs come from the non-for-profit arena and do not always have background business knowledge in finance, marketing, product development and human resource management.
2. Funding for Social Enterprises is either limited or somewhat difficult to access, takes up significant resources to apply for and manage and comes with conditions that are not always in line with the founding entrepreneurs' vision or philosophy. Crowdfunding can be a valuable channel for social enterprises to raise capital in a far more innovative and cost-effective way, especially for those enterprises distant from metropolitan areas. Although there are already crowd-funding portals available (taejai.com in Thailand and kiva.org internationally), many Social Enterprises are either unaware of them or feel they lack the digital skills and knowledge to use them.

3. It is difficult for social entrepreneurs to obtain information about government support (policies, rules and regulations for Social Enterprises are unclear) and there is a lack of integrated collaboration between public sector agencies
4. There is a lack of understanding outside the Social Enterprise ecosystem of the role of social enterprise and the differentiation between their work and that of corporate social responsibility initiatives. There is also a lack of a common understanding of what exactly a Social Enterprise is. Even in the case of Thailand, which has a legal definition as part of the Social Enterprise Act 2019, there are different working definitions within the ecosystem actors and at the local, regional, or country level.
5. Many social enterprises in Myanmar and Thailand currently have no specific framework in place to measure their impact. Reasons given for this have included the lack of time and resources as well as a lack of knowledge to implement impact assessment.
6. The major social ecosystem actors in both Thailand and Myanmar are concentrated in the main cities of Bangkok and Yangon respectively and the majority of support services, training programs, incubators and accelerator programs are based there. This concentration means that there is a lack of support for regional social enterprises who cannot access these services.

## 5. Conclusions

Our research was aimed at identifying the common challenges that social enterprises in Thailand and Myanmar face and so provide policy recommendations to higher education institutions wishing to engage and support their local social enterprise ecosystems.

To address the challenges presented in this research paper, we recommend the following actions be undertaken by Higher Education Actors involved in supporting the development of social enterprise ecosystems in both countries.

- Higher Education Institutions, especially those located in secondary cities and provincial areas in both Thailand and Myanmar should develop resource hubs for social enterprise practitioners and engage stakeholders from all sectors to tackle social issues. This can be achieved by facilitating interactions across various sectors such as policy makers, practitioners, academia, funders, and the public to promote and support social enterprises and other positive social impact initiatives.
- Higher Education Institutions need to develop new and innovative programs, courses and degrees that will link students with social enterprise actors through internships, work-placement, cooperative education, etc.
- Higher Education Institutions should offer capacity-building activities in the form of workshops, seminars and programs that utilise tools such as the Social Business Model Canvas, the Value Proposition Canvas, Theory of Change and Social Return on Investment, etc., to develop both the skills of the entrepreneurs and also aid in the viability of the social enterprise itself through a rigorous framework of business feasibility study. Moreover, to ensure the sustainability of the social enterprises, these capacity-building activities need to be continuous, and involve long-term coaching and mentoring of the participants. In addition, a train-the-trainer program should be developed to ensure a multiplier effect and to increase the number of participants able to benefit from the training.
- Higher Education Institutions also need to serve as champions of the sector by raising awareness with the public, government agencies and the business world of both the idea

of social enterprise and the potential solutions social entrepreneurs can develop to address the challenges societies face in Myanmar and Thailand.

In light of our findings on the challenges these two social entrepreneurship ecosystems face, further research of some of these issues seems worthwhile. We identified a general lack of skills among practitioners, but more work needs to be done on the specific skills required in order to better understand the types of capacity-building training HEIs can offer. In addition, there is still sparse information on the overall level of involvement of Thai and Myanmar HEIs in the provision of degree programs, specific courses or short programs related to the development of future social entrepreneurs. Having a more complete picture of current or future educational offerings by these HEIs will support the development of future programs.

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# Sustainable Development and Corporate Social Responsibility in Companies' Practices: An Empirical Analysis

Łukasz Małys

**Abstract:** **Background:** Despite conceptual differences, sustainable development and corporate social responsibility both refer to environmental and social aspects. There needs to be an agreement on how to recognise their differences in the practice of companies' operations.

**Research objectives:** The study aims to verify whether there are differences in the involvement in environmental and social practices between companies declaring a commitment to sustainable development and corporate social responsibility.

**Research design and methods:** The data were obtained using the CATI technique and a standardised survey questionnaire. The Mann-Whitney U test was carried out to verify the differences.

**Results:** Companies referring to the concept of corporate social responsibility implement more social practices compared to companies that refer to the idea of sustainable development. There are no differences in the implementation of environmental practices.

**Conclusions:** In business practice, corporate social responsibility seems to be a broader concept than sustainable development, as it puts more attention on social aspects.

**Keywords:** sustainable development, corporate social responsibility, environmental business practices, social business practices

**JEL Codes:** M14; O44; Q20; Q50

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## 1. Introduction

Over the past decades, there has been a growing commitment of firms to issues such as sustainable development (SD) and corporate social responsibility (CSR). These concepts, although related, have evolved independently. SD was initially a macroeconomic concept and still remains in the sphere of interest of various organisations (Elliott, 2013; Tomislav, 2018). There is a widely accepted belief that it covers the areas of economic, environmental and social activity (Eklington, 1998). CSR was established as a strictly business initiative. It is focused on the social sphere of firms' activities but also includes environmental aspects, if expected by society or considered ethical, and treats economic results as the basis of other activities (Carroll, 1991). Still, there is no consensus on how to consider the relationship between these concepts in the

business sphere (Ebner & Baumgartner, 2006). This article aims to verify whether there are differences in the involvement in environmental and social practices between companies declaring a commitment to SD (1) and CSR (2). Such differences would suggest a difference in the perception of these two concepts in business practice.

To achieve the article's aim, a survey of a sample of 500 companies located in Poland was conducted. The differences in the involvement in environmental and social practices between companies were identified using the Mann-Whitney U test. The article is structured as follows. First, the views on SD and CSR in business practice are discussed, with a special emphasis on the specific environmental and social practices which companies may implement. Second, the research methodology is presented, followed by the research results. The article ends with conclusions.

## 2. Literature Review

The concept of SD can be attributed to various roots (Tomislav, 2018), but it was introduced in the mainstream public discussion by the so-called Brundtland Commission (Elliott, 2013). It proposed a definition according to which "SD is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland et al., 1987). Despite many subsequent attempts to redefine this term (Ciegis et al., 2009), it is still the most popular and most frequently quoted definition of SD (Elliott, 2013). However, its shortcomings are pointed out, especially in the business context, as it does not guide individual organisations' role in a broader macroeconomic perspective (Carter & Rogers, 2008). For this reason, SD is most often considered through the triple bottom line (TBL) prism, which considers the economic, environmental and social performance (Eklington, 1998). It is assumed that sustainable business practices should take into account all of these three dimensions of the TBL (Carter & Rogers, 2008; Elliott, 2013). However, sustainability considerations often do not consider all three aspects of the TBL. In practice, they are more likely to focus on environmental issues than social ones (Seidel et al., 2010; Seuring & Müller, 2008).

As in the case of SD, the CSR concept may also be linked to various roots (Filek, 2013). It seems, however, that today it is most often discussed in the context of Carroll's pyramid, which considers the economic, legal, ethical and philanthropic dimensions (Carroll, 1991). It is assumed that economic results, as the basic ones, determine the achievement of results in other dimensions. Therefore the model related to the pyramid is referred to as the "after-profit obligation". It is indicated that socially responsible companies should be active in all dimensions included in the pyramid. This model unequivocally refers to the social aspects of companies' activities. However, environmental issues are included in the areas of legal and ethical responsibility (Carroll, 1991).

When comparing the concepts of SD and CSR, it should be noted that both include economic, social and environmental dimensions. However, they are treated somewhat differently. Within the framework of SD, it is assumed that the development in these three dimensions should be harmonious and that they should support each other. Moreover, some researchers indicate that activities beneficial from the environmental or social perspective that do not bring economic benefits at the same time are irresponsible and should be avoided by companies (Porter & Kramer, 2002). They are the domain of other non-business organisations, however. In CSR, the economic dimension underpins other activities. However, this concept allows



for the engagement of companies in pro-environmental and pro-social activities, which are not associated with additional economic benefits.

It should be noted, however, that the classic approach to both concepts seems to differ from contemporary economic practice. In particular, this applies to the issue of SD, which shows a certain tendency to “expand”, mainly in the area of activities beneficial for the environment, which do not generate clear economic benefits (Vachon, 2007). This is partly due to efforts to reduce business risk and respond to possible legislative changes in the environmental area (Carter & Rogers, 2008). Additionally, in a large number of CSR studies, particular emphasis is placed on social issues, and economic and environmental issues are considered mainly through the prism of stakeholder relations (Guerrero-Villegas et al., 2018; Öberseder et al., 2013). There is also a polemic in the literature about the relationship between SD and CSR (e.g. Ebner & Baumgartner, 2006). It seems that the most significant differences at the level of business practice are seen precisely in the emphasis on environmental and social issues<sup>1</sup>.

Companies' involvement in SD and CSR is reflected in the implementation of specific initiatives. In the literature, these initiatives are differently called, e.g. sustainable business practices (Ortiz-de-Mandojana & Bansal, 2016), CSR practices (Dhingra & Mittal, 2014), sustainable development initiatives (Halati & He, 2018), sustainable development actions (Houy et al., 2012). Additionally, in the case of concentration on selected areas, one can point to green business practices (Ashton et al., 2017) or environmental practices (Lin et al., 2001) and social practices (Gudic et al., 2020). In SD and CSR literature, there is an ongoing debate on how to divide such practices into groups (Golicic & Smith, 2013; Lamberti & Lettieri, 2009; Öberseder et al., 2013; Padin et al., 2017; Spiller, 2000; Vachon, 2007). To achieve the article's aim, it is sufficient to identify environmental and social practices without presenting a broader polemic about their possible subcategory division. Table 1 presents the practices from these two categories identified in the literature.

**Table 1. Environmental and social practices.**

Environmental practices	Selected sources
Use of environmentally friendly packaging	(Diabat et al., 2013)
Developing products that contain less harmful, hazardous, and toxic substances compared to the prototype	(Yunus & Michalisin, 2016)
Product development that enables their easy recycling	(Yunus & Michalisin, 2016)
Product development that considers the reduction of packaging	(Yunus & Michalisin, 2016)
The development of products that allow the re-use of their components or materials used	(Diabat et al., 2013)
Developing products that enable their easy and relatively environmentally friendly withdrawal from use	(Diabat et al., 2013)
Development of products that are easy to repair or regenerate	(Diabat et al., 2013)
Development of products allowing for their longer use compared to the prototype	(Yunus & Michalisin, 2016)
Developing products that require less raw materials, production materials, energy, etc., to be produced compared to the prototype	(Diabat et al., 2013)
Use of renewable sources of supply (including energy, raw materials, and recycled materials)	(Hassini et al., 2012)

<sup>1</sup> There are obvious theoretical differences between these concepts, also resulting from their discussion in various scientific disciplines. However, these differences are not of interest in this article.

Recycling in the workplace	(Yunus & Michalisin, 2016)
Measuring the environmental impact of production	(Vachon, 2007)
Location of production and warehouse centres based on environmental analyses	(Hassini et al., 2012)
Disassembly of end-of-use products	(Diabat et al., 2013)
Reuse of components of end-of-life products	(Diabat et al., 2013)
Reduction of resource losses during production	(Golicic & Smith, 2013)
Provisions of product repair and restoration services	(Diabat et al., 2013)
Reduction of the use of hazardous, harmful, toxic substances in the production	(Hassini et al., 2012)
Reduction of the use of raw materials, production materials, energy, etc., in production	(Hassini et al., 2012)
Organisation of transport with other entities	(Diabat et al., 2013)
Shortening of transport routes	(Yunus & Michalisin, 2016)
Reduction of exhaust emissions in transport	(Hassini et al., 2012)
Transport design based on environmental analyses	(Hassini et al., 2012)
Measuring the environmental impact of transport	(Yunus & Michalisin, 2016)
Recycling of manufactured products or their components – collection and processing	(Diabat et al., 2013)
Preventing the emission of pollutants	(Vachon, 2007)
Waste reduction	(Golicic & Smith, 2013)
Reduction of pollutant emissions	(Vachon, 2007)
Social practices	Selected sources
Solutions in the field of work safety	(Lamberti & Lettieri, 2009)
Equal treatment solutions	(Lamberti & Lettieri, 2009)
Solutions in the field of employee rights	(Öberseder et al., 2013)
Employee development, training	(Lamberti & Lettieri, 2009)
Offering fair remuneration	(Öberseder et al., 2013)
Additional benefits for employees	(Lamberti & Lettieri, 2009)
Solutions that guarantee a work-life balance	(Öberseder et al., 2013)
Stabilisation of the financial result	(Öberseder et al., 2013)
Development of codes of conduct for suppliers, subcontractors, etc.	(Vachon, 2007)
Development of ethical codes	(Morali & Searcy, 2013)
Conducting social audits at business partners	(Vachon, 2007)
Requirement of social certificates from suppliers	(Vachon, 2007)
Expecting an appropriate standard of work from suppliers	(Misani, 2010)
Philanthropic activities	(Spiller, 2000)
Sponsoring.	(Spiller, 2000)
Transparent relations with the authorities, anti-corruption policy	(Guerrero-Villegas et al., 2018)

### 3. Material and Methods

To achieve the paper's aim, quantitative research was conducted in September 2020 using the CATI (Computer-Assisted Telephone Interview) technique and a standardised survey questionnaire. The respondents were drawn from the "PI total database" covering Poland's 1,113,035 (as of September 2020) companies. The research intention was to get responses from 500 companies. To reach this target, 2011 companies had to be contacted, i.e., a 24.9% response rate was achieved. As intended, 500 randomly selected firms in Poland participated in the study and answered the survey questions. The pool included firms of various industries and sizes. However, the number of microenterprises in the pool was deliberately limited to 20% due to their lower expected involvement in SD or CSR activities and overrepresentation in Poland. The respondents were representatives of the top management of the firms.

The survey questionnaire used in the research was consulted with business practitioners. As a result of the consultations, the list of social practices presented in the previous section was modified to adapt it to the specificity of the Polish market. In particular, the research did not include social practices 2, 5 and 8 from Table 1. In turn, "additional benefits offered to employees" were detailed, creating two separate practices, and the practice of "engaging in fair trade activities" was added. As a result, the research included 15 social and 28 environmental practices presented in Table 1. The survey included questions about the implementation of each of the identified practices in the company. It was also assumed that the company's involvement in these areas increases with the increase in the number of implemented environmental and social practices.

The survey also asked companies to indicate which concept they refer to in their activities – SD, CSR, both or neither of them. The Mann-Whitney U test was conducted to verify whether there are differences between firms referring to SD (1) and CSR (2) in the number of environmental and social practices implemented. Firms referring to both concepts or neither were not included in the analysis because the research intention was to establish apparent differences between companies referring to only one of the two concepts.

### 4. Results and Discussion

First, the number of companies using different terms to name pro-environmental and pro-social activities was compared. Out of 500 surveyed companies, 145 (29%) declare that they do not implement SD and CSR activities at all. In turn, 115 companies (23%) implement them using both terms to describe various activities. As mentioned, these groups of companies were not included in further analyses. Of the two remaining groups, definitely more (169, 33.8%) indicate the implementation of activities under the SD term. The smallest group of all companies refers to the CSR concept (71, 14.2%).

In order to verify whether there are differences between groups referring to the SD and CSR concepts in their involvement in the environmental and social areas, the Mann-Whitney U test was carried out. Tests were carried out separately for environmental and social practices, in the first place for environmental ones. According to the test procedure, two alternative hypotheses were developed:

- $H_{0A}$ : There is no difference in the involvement in environmental practices between groups referring to SD and CSR.

- $H_{1A}$ : The involvement in environmental practices differs in the groups referring to SD and CSR.

As said earlier, the involvement is measured by the number of implemented environmental practices. In the first step of the test, the medians of the number of implemented environmental practices in both groups were compared. The median in the group of companies referring to the concept of SD is 26 and is higher compared to the group of companies referring to the CSR concept, for which it has a value of 22.

In order to verify whether the identified difference is statistically significant, the Mann-Whitney U test proceeded. As can be seen from the data presented in Table 2, the difference is not statistically significant – the asymptotic (2-tailed) significance  $p = 0.054$  and is higher than the critical value of  $p = 0.05$ . Thus, the  $H_{0A}$  hypothesis was confirmed – there is no difference in the involvement in environmental practices between groups referring to SD and CSR.

**Table 2. Mann-Whitney U test results – environmental practices**

Ranks				
		N	Mean rank	Sum of ranks
Which term is used in your company?	Corporate Social Responsibility	71	107.58	7638.50
	SD	169	125.93	21281.50
	Total	240		

Test statistics <sup>a</sup>	
	Which term is used in your company?
Mann-Whitney U	5082.500
Wilcoxon W	7638.500
Z	–1.924
Asymp. Sig. (2-tailed)	0.054

a: Grouping variable: a term used in the firm

Source: own work.

Next, similar analyses were conducted for social practices in both groups of companies, with the hypotheses:

- $H_{0B}$ : There is no difference in the involvement in social practices between groups referring to SD and CSR.
- $H_{1B}$ : The social practices involvement differs in the SD and CSR groups.

In this case, a higher median (4) of the number of implemented practices is in the group of companies referring to the CSR concept. In the group of companies indicating the implementation of activities under the SD concept, the median is 3.

In order to verify whether the identified difference is statistically significant, the Mann-Whitney U test was repeated (see Table 3). Asymptotic significance (2-tailed)  $p = 0.002$  is lower than the critical value of  $p = 0.05$ . Thus, the  $H_{1B}$  hypothesis was confirmed, which says that the involvement in social practices differs in the groups referring to SD and CSR. Companies that refer to the concept of CSR implement more social practices than those that refer to SD.

**Table 3. Mann-Whitney U test results – social practices**

Ranks				
		N	Mean rank	Sum of ranks
Which term is used in your company?	Corporate Social Responsibility	71	141.74	10063.50
	SD	169	111.58	18856.50
	Total	240		

Test statistics <sup>a</sup>	
	Which term is used in your company?
Mann-Whitney U	4491.500
Wilcoxon W	18856.500
Z	−3.173
Asymp. Sig, (2-tailed)	0.002

a: Grouping variable: a term used in the firm

Source: own work.

The obtained results, at least to some extent, may be considered surprising. The extant literature considerations (which, however, were primarily based on conceptual considerations) assumed either no differences between the concepts of SD and CSR or indicated that SD is a broader concept. Ebner and Baumgartner (2006) distinguish three approaches to analysing the relationship between SD and CSR based on the conducted literature research. In the first one, CSR is seen as the social dimension of SD and therefore as a narrower concept. In the second approach, CSR and SD are treated as synonyms. The third approach, similar to the second one, assumes that the concept of SD is the basis of CSR. It also points out that SD and the TBL are relatively broad concepts that are difficult to translate to the level of companies in an unchanged form. For this reason, CSR is supposed to be an idea that allows the implementation of the principles of SD in individual organisations.

The results of the presented research suggest, however, that in business practice, companies referring to CSR tend to implement more social practices, with a similar number of environmental practices implemented. On the one hand, this may result from the assumptions of the CSR concept itself, which emphasises the development of appropriate relations with essential groups of the company's stakeholders (Campbell, 2007), which may be reflected in the implementation of social practices not included in SD (e.g. philanthropic activities). On the other hand, it may be related to the frequent analysis of the SD issue solely through the prism of pro-environmental activities (Seidel et al., 2010; Seuring & Müller, 2008). This may mean that companies are intending to engage in pro-social activities more often look for solutions in the area of CSR.

## 5. Conclusions

The conducted research shows that between companies referring to the concept of SD and CSR, there are no differences in the involvement in environmental practices measured by the number of implemented initiatives. On the other hand, there are differences in such under-

stood involvement in social practices – companies that refer to the concept of CSR implement more social practices than companies that refer to the concept of SD. It is worth emphasizing, however, that both groups of companies usually implement fewer social practices than environmental ones – the median number of implemented initiatives was definitely lower for social practices, even taking into account the smaller number of such activities included in the research. This indicates that companies referring to the concept of SD and CSR in practice put more emphasis on pro-environmental initiatives. Summarising, there is a difference in the perception of SD and CSR concepts in business practice – CSR seems to be a broader concept, which attaches equal attention to environmental aspects as SD, but more attention to social aspects. However, the importance of this difference is diminished by the considerably lower involvement of companies in social practices.

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# Producers Involvement – the Next stage of Fair Trade Development. The Case of Poland

Grażyna Śmigielska

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**Abstract:** **Background:** The idea of this paper is to show how countries from so call so-called Eastern Block could contribute to the development of Fair Trade (FT). Poland, as a leader in political and economical changes in Eastern Europe, as well as being a very fast-developing country, could be considered a good representative for all states belonging to this Block.

**Research objectives:** The goal of this paper is to assess the market for Fair Trade products in Poland and identify the tools which could speed up its development.

**Research design and methods:** It is a conceptual paper, based on the literature review and thus secondary data. A literature review is used to determine the contemporary character of FT as well as identify the stages of its development.

**Results:** It was the case in Poland where in 2018 the wholesale of FT products started its boom. Before, due to some obstacles, which were also identified, the sales had been marginal.

**Conclusions:** It is suggested that a new stage of FT development is coming, in which its growth is sped up by engaging companies to produce goods which have the FT component.

**Keywords:** sustainability, Fair Trade, Poland, wholesale sales

**JEL Codes:** L22, Q56

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## **1. Introduction**

The most cited definition of Fair Trade (FT), which was formulated by FINE (the name comes from founders – four Fair Trade networking organizations – FLO, IFAT, NEWS!, EFTA), specifies that it is:

“a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of marginalised producers and workers – especially in the South. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers, raising of awareness and in campaigning for changes in the rules and practice of conventional international trade” (International Fair Trade Charter, 2018, p. 11).

In a narrow sense, FT means “The buying of products from producers in developing countries on terms that are more favourable than free-market terms, and marketing of those prod-

ucts in developed countries at an *ethical price premium*" (Bird & Hughes, 1997; De Pelsmacker, Janssens & Mielants 2005, p. 51) and basically it is about inequities between the so-called Global North associated with developed countries and Global South where most people are poor.

Fair Trade is not an organization but a movement, which results in developing socially responsible supply chains, which, by definition, means that the beneficiaries are small producers and local communities in the poorest countries in the world. From the macroeconomic point of view, FT tries to become the alternative to conventional trade in a contemporary economy characterized by aggressive competition directed towards cost reduction. As it was noticed by Becchetti and Huybrechts (2008, pp. 733-750) it represents one of the most interesting examples of breakthrough innovation in the functioning of contemporary economic systems. But the development of this innovation depends on other movements in the market and involves the integration of ethical principles in consumer decision-making (Hira & Ferrie, 2006, pp. 107-118).

The contemporary FT market is considered as a "mixed-form market" where different types of players coexist (Becchetti & Huybrechts, 2008, pp. 733-750). They include non-profit organizations, co-operatives and for-profit mainstream companies (including importers and labelling organizations). They represent "a market niche based on the image of solidarity with small producers of the Third World and equity in trade relationship" (Renard, 2003, p. 95). It emerged in the process of historical development and contemporary competition, conflict and partnership among these players thus determining the direction and speed of market dynamism.

The other important element of the FT market is merchandise which could be divided into two main categories, first: foods and beverages and second: fashion, gifts and home products. The first group includes coffee as the flagship product but also tea, bananas and other tropical fruit, dried fruits, cacao, chocolate, spices, rice, wines and so on. In the second group, one can find handicrafts like clothing, jewellery, flowers and others e.g. cotton textiles.

The idea of this paper is to show how countries from the so-called Eastern Block could contribute to the development of Fair Trade. These countries also have their own problems to solve in order to join the group of well-developed economies as they were not involved in colonialism so the issue of helping people from the poor South could not be immediately addressed and has been still a matter for the future. Following this assumption some research from Poland, one of the biggest and most developed countries in the Eastern Bloc, is presented. They show how the weakness of this country becomes a strength in the process of developing the FT market. Nowadays a Fair Trade initiative is important due to its contribution to sustainable development.

## 2. Literature review

A growing interest in Fair Trade has been related to its contribution to sustainable development (SD) which is expressed in its goals (Redfern & Snedker, 2002, p. 11) and discussed *inter alia* by Strong (1997, pp. 1-10), Śmigielka, Dąbrowska and Radziukiewicz (2015). The main contribution is in offering better trading conditions to, and securing the rights of marginalized producers and workers – especially in the South, due to the fact that FT defines the terms and rules of cooperation between producers, intermediaries and final buyers (Nicholls, 2002, p. 7). But it should be noticed that this main relationship as well as the others began to be revealed only in the course of the development of both concepts (Low & Davenport, 2005, pp. 148-149). In the early nineties, the last century when sustainable development was mostly associated with

protecting the environment the relationship was considered as rather weak because promoting environmentally sustainable production was more important than helping people. It has changed along with the growing popularity of the UN definition of sustainable development which set up its goal more broadly as "meeting current needs without compromising future generation's needs" (Brundtland, 1987) and including those related to the fight against poverty and social inequalities.

Fair Trade values stand alongside 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, adopted by world leaders in September 2015 at the UN Summit. The Fair Trade idea can be found especially in Goal 2: *End hunger, achieve food security and improved nutrition and promote sustainable agriculture*; Goal 5: *Achieve gender equality and empower all women and girls*; Goal 8: *Promote inclusive and sustainable economic growth, employment and decent work for all*; Goal 12: *Ensure sustainable consumption and production patterns* and Goal 17: *Revitalize the global partnership for sustainable development* (UN, 2022). As a consequence nowadays it is stressed that FT contributes to the sustainable development of less developed countries by offering producers and workers better prices with stable market links. On the other hand, FT's purpose has been enriched with environmental objectives. It involves the development of social and environmental projects which is part of the reason why consumers pay premium prices. So it also supports the other goals of SD as environmental protection, health care or education.

Fair-traded products offer consumers the added benefit of contributing to sustainability. The price that consumers pay for FT product includes the so-called Fair Trade Premium (Community Development or Social Premium) which is invested in building community infrastructure: schools, health clinics, provision of educational scholarships, improvements in water treatment systems, conversion to organic production techniques (Dragusanu, Giovannucci, & Nunn, 2014, p. 220). FT as a supply chain takes care of people, the planet and, at the same time, is profitable in fulfilling three main conditions for sustainability, coined by J. Elkington (Elkington, 1997) and discussed, *inter alia* by Slaper and Hall (2011), Seretny and Seretny (2012).

Referring to FT as the corporate social responsible supply chain at the beginning of which there is sustainable production, characterized by using sustainable, natural and recycled material as well as an environmentally responsible process (MOSAIC, 2021). Then there are trading companies which contribute to sustainable development through their attitudes and consequences or a combination of these. In the end, there is the ethical consumer, with a feeling of responsibility for a society which expresses such feelings by the means of purchasing behaviour (De Pelsmacker, Janssens, & Mielants, 2005).

The history of Fair Trade is the history of institutionalization and mainstreaming of its product in which four waves could be identified (Nicholls & Opal, 2005; Śmigielńska 2018a). The first one is related to the work of relief and charity organisations, which became active after World War II (Bowen, 2001; Stefańska & Nestorowicz, 2015; Tallontire, 2000, p. 167). They were involved in importing and selling goods produced in Global South countries but also in Eastern Europe. In Europe, a nongovernmental British organization started to sell goods from less developed countries in its own stores and via catalogues. The idea was not to include profit-oriented retailers and wholesalers which shortened the distribution channels and allowed distributors' margins to be passed to the producers. It was worth noticing that the relationships in distribution channels were based on trust but the scale of the market was small.

The next wave of FT development started with the setting up of the first Alternative Trade Organization (ATO) what happened in 1965 in the UK. It was followed by other organizations,

which tried to marry social development with trading activities like Perketi in Jakarta (1975) or Traidcraft in the UK (1979) (Redfern & Snedker, 2002, p. 5). ATO aimed at diminishing the role of the exploitative middleman in trading transactions. The supply chain developed by them involved small farmers and cooperatives, which were responsible for the production process, producer groups controlled by ATOs and finally shops with exclusively fair trade assortment only (Worldshops) or catalogue selling.

The incorporation of retail business into the supply chain in the eighties last century initiated the third wave of FT development considered by some scholars e.g. Moore (2004), Hira and Ferrie (2006), as one of the most important. At that time agricultural product like coffee and tea began to be added to the assortment. It created a so-called mainstream channel of supply which included producers' groups which had to be certificated by Fairtrade Labelling Organization International – FLO (nowadays Fairtrade International), middlemen and finally goods being offered to consumers in hypermarkets, supermarkets and other conventional retailers. As a starting point of this wave, the launch of the first certification label Max Havelaar in 1988 was accepted (Mohan, 2009). This phase of FT's development is also characterised by the progressive institutionalization of this movement.

The new mainstream channel on the one hand caused a significant increase in sales of FT products. On the other hand, it was criticised for losing the original character and values of the movement (Mohan, 2009; Low & Davenport, 2005). In spite of criticism, the mainstream market has been growing because it is beneficial for small producers because increases their sales at fair prices (Reed, 2009).

The next stage of FT development could further spread this idea due to the fact that countries of the Global North will be considered as recipients of it. It involves so-called domestic FT which tries to address fair trade principles (fair price, fair labour conditions, direct trade, democratic and transparent organizations, community development and environmental sustainability) also in well-developed countries which raises the question of consumer willingness to pay for these ethical attributes (Redfern & Snedker, 2002; Howard & Allen 2008).

The other possibility for spreading the idea of Fair Trade has been created by changing economic systems towards a market economy in Eastern Europe (Slovakia, Czech Republic Hungary, Poland, Slovenia, Croatia, Romania). In these countries, although located in the North, due to political and economic reasons, Fairtrade goods had not been present until the nineties last century when they underwent dramatic market system changes. As a consequence, some of them, which had benefited from this idea after World War II, due to fast development could now become the new geographical market for FT products.

### 3. Research design and method

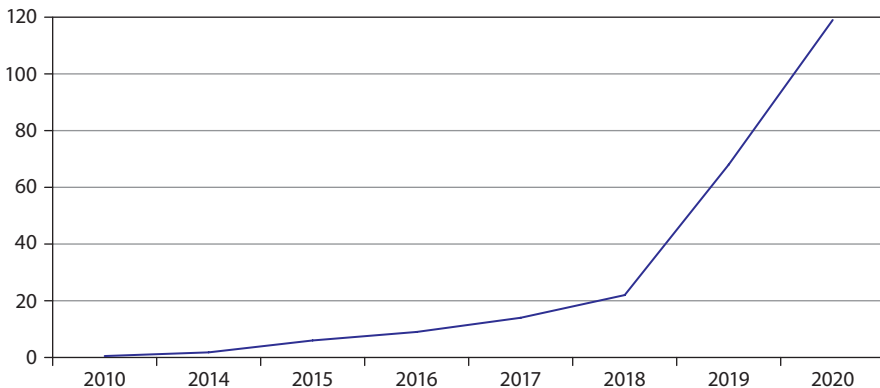
This paper is conceptual paper aimed at adding one more stage to the stages of Fair Trade development. Its idea come from literature studies as well as from the market observation. Literature studies has allowed to identify stages of Fair Trade.

Trends in the development FT in Poland, observed by the Author, have been justified by the analysis of the Fairtrade product's sales, which is based on the secondary sources. The case of Poland has been chosen due to the role of this country in political and economic changes in Eastern Europe. To relate the growth of FT wholesale sales and changes in its structure with changes in the law, the logical thinking has been used.

#### 4. Fair Trade development in Poland – the main drivers

In the Annual Report 2016-2017 "Creating Innovations, Scaling up Impact" it is noticed that, over the past two decades Fairtrade has gone from being a small niche initiative to a movement with global reach (Fairtrade International, 2017). Global sales of Fairtrade products reached €7.88 billion in 2016, with steady growth across most countries where Fairtrade has an established presence with an NFO. The market that grew fastest last year was Austria, with an increase of 46 p in Fairtrade retail sales, mostly due to the excellent reception of Fairtrade Sourcing Partnerships Programs in the country. France, the Netherlands, Norway and Switzerland, four mature Fairtrade markets, also experienced substantial increases in sales, all with more than 20 percent growth. It means that the certification process and then involving big corporations have contributed a lot to the development of this initiative.

As the focus is on Poland the value of the market of Fair Trade products was estimated at approximately 0,3–0,5 mln Euro in 2010 but had grown systematically reaching about 8 mln Euro in 2016 and 119 mln Euro in 2020 (see Figure 1).



**Figure 1. Net wholesale value of FT product in Poland (in millions Euro)**

Source: Based on data from (Fairtrade Polska, 2021).

From 2010 to 2018 sales was growing very fast and but still constituted a small share of the Polish market. According to the research conducted by K. Wasilik (2016) Fair Trade products only supplement normal range of shops merchandise. The widest range of goods produced according to Fair Trade principles is offered by internet shops specializing in the distribution of certified products. The largest of them is the shop of Polish Fair Trade Association (Polskie Stowarzyszenie Sprawiedliwego Handlu, PSSH), which is a licensed distributor of Fair Trade products which means that it also supplies these goods to the retail and catering chains (PSSH, 2022). In internet shops, customers may purchase food of the highest quality while maintaining social and environmental standards as well as non-food products, such as e.g.: clothes, music CDs, musical instruments and interior design elements.

The first physical store in Poland which adheres to the Fair Trade principles was opened at the end of 2011 in Poznań. The shop was established as part of an international project *Aware&Fair*. The project was created with the cooperation of the City of Poznań, PSSH and two German Fair Trade Organizations – El Puente and Dritte Welt Partner, which supply the PSSH

Association with certified products that come directly from small farmers and craftsmen from the countries of the Global South. At present, the *Aware&Fair* project initiated in Great Britain includes 23 countries around the world. In addition to commercial activities, the facility also deals with the promotion of the movement aimed at increasing the awareness of the idea of Fair Trade among the residents of Poznań and its surrounding areas (*Fairtrade Polska*, 2011).

Fairtrade products are found in the organic food shops like "Żółty Cesarz", "Bio Planet" or "Organic Farma Zdrowia", shops offering products from around the world as well as in supermarkets, hypermarkets, discount stores, drugstores of such chains as Tesco, Auchan, Carrefour or Aldi. There are also more and more cafes, clubs or bars, where the Fair Trade goods are available (e.g. Starbucks, Tchibo and Stop Cafe at Orlen petrol stations). But the qualitative research reveals staff in retail outlets do not have any knowledge on the FT certificate and organizations which sell FT products and do not promote them. For example, in self-service stores there are not special shelves devoted to them.

Over the years in Poland we may observe an increase in the number of products certified as Fairtrade on the shelves of Polish shops. Food products constitute a decisive majority; however, more and more frequently non-food products, such as cosmetics or clothing. It is worth mentioning that coffee and tea were regarded as the most frequently purchased items (Radziukiewicz 2015, p. 81–82).

A lot of efforts to promote FT in Poland has been done by its institutions which spread the information about it as well as educate the young generation (Śmigielska, 2018b). The results which are observed include growing numbers of FT towns and schools. Also so some initiatives to make the FT products more available to the consumers has been taken by retailers.

When comparing these actions with what is done in the well-developing countries it should be clear that it has been not enough to boost the sales of FT products. The main obstacle is the price of FT products which is higher than the price of similar products without the FT logo. The quality of products and the competitive price are the most important determinants of Polish consumers' decision choice. COVID-19 pandemic and growing inflation in Poland has made the price factor even more important while factors related to sustainability, including FT label become less important in consumers' decision process (Strategy&, 2022). As a consequence FT products become less competitive.

So how to explain the boost in wholesale sales of FT products which could be observed since 2018? Analysing sales by product categories it should be noticed that in 2020 cocoa product become the leading product category (84% of wholesale sales followed by coffee 14%). Four years before coffee was the leader with 82% whereas cocoa had only a 15% share in sales.

At the same time, the engagement of producers was raised. In 2020 there were 41 companies engaged in different ways in FT production; 23 were certificated companies, 12 Fairtrade licensed and 6 certificated with Fairtrade licences. Among them, there were 14 new companies.

These companies used the opportunity which has been created by the introduction of flexible sourcing model called Fairtrade Sourced Ingredient (FSI) (Fairtrade Polska, 2021). In this model it is enough to use only one Fairtrade ingredient in production to be able to give it the FT mark to the product. It has become the chance for Polish producers of sweets who started to use FT cocoa. Their engagement explains the change in wholesale of Fair Trade products in Poland.

To this success contributed chains of retailers like Aldi, Lidl, and Kaufland which have these products in their stores. Due to the fact that cocoa is the only ingredient of the whole product and due to the cost-cutting policy of this chain the final price for the consumer is not too high.

Polish producers benefit from selling products with the FT ingredient because in their case high price is not a barrier and at the same time they contribute to sustainable development by supporting Fairtrade cocoa farmers.

## 5. Discussion

The fast growth of the FT movement since the nineties last century has drawn the attention of scientists who examined it from different points of view. A significant part of them focused on individual consumption of FT products. Andorfer and Liebe (2011) analysed 51 journal publications in English which contained theoretical approaches with the presentation of empirical research. They identified two main research approaches: economics and social psychological approaches. Economics approaches mainly focus on consumers' willingness to pay (WTP) ethical premium for FT products, which is considered as the source of additional utility coming from ethical features. Usually, some kind of experiment was applied here as a research method. Referring to social psychological approaches three major areas were investigated: consumer attitudes, information and communication aspect, and consumer values whereas to sociology – consumer identity (Andorfer & Liebe, 2011, p. 417). Most of the researchers used surveys as a research method and convenience samples; only some of them resort to content or conjoint analysis which required random sampling. Recently this research has usually focused on one type of FT product, mainly coffee.

Similar research conducted in Poland has been related generally to all FT products. Research conducted by Radziukiewicz (2015), Teneta-Skwiercz (2016), Wasilik (2016) showed that consumer interest is rather low so there are not big prospects for fast market development.

This paper is rather located in the group of papers which focus on organizational development of FT movement and its consequences (Low & Davenport, 2005; Nicholls & Opal, 2005; Mohan, 2009). In Poland, in the same group, the papers of Zysk (2020) and Śliwińska (2018) should be mentioned. Both papers also show that in Poland market for FT products is not big and perspectives of its fast development are poor.

Here, another perspective is presented. According to it the chance for boosting sales of FT product is not in their final sales to the consumers but in using them as a component in producing final goods, mainly sweets.

This paper contributes to the concept of the development stages of FT as indicated by Low and Davenport (2005) and others. It also shows the new path of its development; however, data from secondary sources should be supported by data from the primary research e.g. interviews with the Polish producers using FT components.

## 6. Conclusions

For the time being market for FT products in Poland is very small in comparison with the well-developed Western countries. It is due to the fact that most consumers do not feel the idea of paying a price premium which goes to support the poorest countries. The current economic situation does not favour the development of the market for the consumer goods produced in these countries and having a Fairtrade label.

The opportunity of increasing the FT market is in wholesale directed to the producers. FSI has given a chance to many, even small producers, from the countries where the FT idea is still not very popular, including producers from the so-called Eastern Block, to join successfully this



movement. They should be encouraged to take steps towards including in their production FT components, not only cocoa but also others like cotton. In this way, the market for these sustainable products could grow.

Fairtrade Source Ingredient could create a new stage of FT development, due to the fact that products with FT logo do not only have sustainable and quality features but could also be price competitive. Price competitiveness is very important nowadays due to difficult economic situations all over the world. In spite of changes in consumer preferences (in Poland fewer consumers seek sustainability, including FT features) products with FT ingredients could still be able to increase market share.

In Poland, and by analogy in the other Eastern Block European countries, the strategy to develop Fairtrade market should be to push rather than pull which is the opposite of what has happened in Western Bloc European countries. The development of the FT market could be encouraged and fostered by involving Polish producers in supply chains. It should be stressed that the development of the FT market is beneficial to all parties involved; it contributes to the sustainable development of all members of the supply chain working together. On the other hand the policy of FSI could be criticised due to the fact that it contributes to the losing original Fair Trade nature, not to say that the big companies from well-developed countries can use this strategy for increasing their profits.

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# Implementing Organisational Ambidexterity for a Successful Transformation of the Automotive Supply Industry Towards a Green Future

Alexander Gackstatter, Véronique Goehlich

**Abstract:** **Background:** Customers demand more sustainable mobility solutions and shift to electric vehicles and Mobility-as-a-Service offers. Because of these shifts, automotive suppliers must improve their corporate social responsibility (CSR). Especially in Germany, where they play a dominant role in the economy, they need to assume their responsibility towards the green future and seize new growth opportunities within and outside the traditional automotive industry to ensure their competitiveness.

**Research objectives:** The article aims to determine the role of ambidexterity, the competencies required from employees at all levels, and the success measurement of the transformation in the automotive supplier industry in working towards a green future.

**Research design and methods:** The research is based on 12 expert interviews with top managers from German automotive suppliers, consultants, ambidexterity experts, and employee representatives.

**Results:** The trends (electrification, autonomous driving, digitalisation and new mobility services pose unprecedented challenges for automotive suppliers. To deal with these challenges and improve their CSR performance, automotive suppliers must follow an ambidextrous approach to make their core business more efficient while at the same time seizing new growth opportunities towards a green future.

**Conclusions:** The organisational ambidexterity combined with CSR allows firms to improve their environmental performance. However, organisational ambidexterity is not only a structural design choice but a task that requires specific competencies.

**Keywords:** automotive supplier industry, transformation, organisational ambidexterity, corporate social responsibility, competencies, Germany

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## 1. Introduction

The automotive industry is facing the greatest transition of its history (Proff, 2019). Megatrends such as electrification, autonomous driving, digitalisation, and new mobility concepts pose unprecedented challenges for the industry. In the context of the current COVID-19 pandemic, digitalisation is accelerating, and changes in customer behaviour are observable (Klein and Todesco, 2021). Even before the pandemic, customers started to demand more sustainable

mobility solutions and shifted to electric vehicles (EVs), and Mobility-as-a-Service (MaaS) offers (Matzler et al., 2016).

The automotive industry plays an especially dominant role in the German economy. In 2020, 817,000 people worked in the automotive industry (Statistisches Bundesamt, 2021), of which 310,000 were active in the automotive supplier industry (VDA, 2020). Automotive suppliers, in particular, are severely affected by current transformation trends as they account for approximately 75% of the value added to the automotive value chain (VDA, 2020). Automotive suppliers with a strong focus on the Internal Combustion Engine (ICE) face substitution risks since many components they produce are no longer needed (Fraunhofer IPT, 2019). This is the result of the declining global vehicle production (OICA, 2021) and the diminishing core business with ICEs due to the electrification of the propulsion system (ACEA, 2021). At the same time, suppliers must make considerable upfront investments, for example, in electrification, which can exceed the company's financial strength and technical capabilities (Lazard and Roland Berger, 2020).

Furthermore, automotive suppliers must improve their corporate social responsibility (CSR) to account for the changes in customer behaviour and increases in environmental regulations (Khan et al., 2021). This is particularly relevant due to the automotive industry's economic, social, and environmental impact (García-Madariaga and Rodríguez-Rivera, 2017). The environmental impact comes from production processes harming the environment and air pollution from car use (Svobodová and Bednarska-Olejniczak, 2021). The economic and social impact stems from protecting the number of jobs in the automotive industry (Statistisches Bundesamt, 2021).

To deal with the challenges of this transformation and be prepared for the requirements of a green future, automotive suppliers must make their core business more efficient while at the same time seizing new growth opportunities within as well as outside of the traditional automotive industry. According to Shafique et al. (2021), this "organisational ambidexterity" (Tushman and O'Reilly, 1996; Raisch and Birkinshaw, 2008) combined with strengthened CSR practices, allows firms to improve their environmental impact. Organisational ambidexterity is likely to motivate suppliers to pursue green innovation by aligning exploitative and explorative innovation (Shafique et al., 2021). Likewise, Tuan (2016) found that organisational ambidexterity positively affects firms' entrepreneurial orientation and that this effect should be strengthened through CSR initiatives.

Because of the importance of organisational ambidexterity for CSR efforts and the suitability of this model to target the challenges of automotive suppliers in the current transformation, the following article examines to which extent automotive suppliers already pursue an ambidextrous approach. However, organisational ambidexterity is not only a structural design choice but also a leadership task that requires specific competencies from both leadership and the workforce (O'Reilly and Tushman, 2008).

Since automotive suppliers are currently in the middle of the transformation process, there are no clear guidelines on how organizational ambidexterity is successfully implemented. Thus, based on 12 expert interviews with top managers from German automotive suppliers, consultants, ambidexterity experts, and employee representatives, this article aims to determine the role of ambidexterity, the competencies required from the leadership and the workforce, and the success measurement of the transformation in the automotive supplier industry in working towards the green future.

## 2. Literature review

### *Electrification*

Driven by policy changes and increasing environmental awareness, the EV market is constantly growing (Müller et al., 2015). While in 2010, there were only around 17,000 EVs on the roads worldwide (IEA, 2020), in 2020, this number surpassed 10 million (IEA, 2021). The continued adoption of EVs will not only be driven by policies and incentives but also by decreasing battery costs (IEA, 2021). Deloitte observes that the COVID-19 pandemic further accelerated the trend towards more electrification (Deloitte, 2020). Despite the pandemic, electric car registrations still rose in most markets in 2020 (IEA, 2021).

The ongoing trend towards more electrification has a strong impact on the automotive supplier industry. While a conventional ICE requires substantial know-how and consists of around 2,500 individual parts, an electric motor consists of only about 200 individual parts. This means that the manufacturing process is less complex, the depth of value added is drastically reduced, and industry know-how accumulated over decades loses significance (Fraunhofer IPT, 2019). In addition, the increasing automation in the manufacturing of electric motors will result in a higher demand for skills related to setup, operation, monitoring, maintenance, testing, inspection, and quality management (Hans-Böckler-Stiftung, 2012).

### *Autonomous driving*

Progress in artificial intelligence, especially in machine learning and deep neural networks, is speeding up the development of autonomous driving (PwC, 2017). In the context of the worldwide COVID-19 pandemic, the importance of autonomous driving continues to grow as people desire increased autonomy in their mobility (Lazard and Roland Berger, 2020).

On the one hand, autonomous driving poses a threat to automotive suppliers as it opens the door to companies from outside the industry. On the other hand, autonomous driving offers new opportunities. Deloitte estimates that suppliers driving innovation in autonomous driving and electrification will likely experience up to 300% growth compared to suppliers in segments such as ICEs or brakes (Deloitte, 2019). However, it must be noted that not all suppliers will be able to enter the field of autonomous driving due to the necessity of high upfront investments in R&D (Strategy&, 2020).

### *Digitalization*

For automotive suppliers, autonomous driving and connectivity trends have led to an increased demand for software solutions. Therefore, employees must acquire more IT competencies (Fraunhofer IAO, 2020). However, Gairing (2020) points out that technological competencies are context-specific and can quickly become outdated. Thus, employees must to adopt a continuous learning approach to keep up with changing requirements and promote key competencies rather than specific knowledge. Consequently, cooperation, creativity, and problem-solving competencies should represent the core of employee learning rather than specialised knowledge.

### *New Mobility Services*

Population growth and urbanization as well as increased environmental awareness have led to changing customer preferences and call for new forms of mobility (Wedeniwski, 2015). Shared mobility, one such new form of mobility services, poses a novel threat to original equipment manufacturers (OEMs) and automotive suppliers. According to Deloitte (2020), it could

threaten 23% of potential sales in the automotive industry. As OEMs are already closer to the end user and have access to the end product car, it is easier for them to make this shift from product provider to MaaS provider. This makes it difficult for suppliers to keep up with current trends and suppliers must consider partnerships with OEMs and other players outside the traditional automotive industry (Lazard and Roland Berger, 2020).

### ***Organisational ambidexterity & CSR***

Organisational ambidexterity refers to the ability of companies to innovate and enter new markets, while at the same time making their core business more efficient (O'Reilly and Tushman, 2008; Birkinshaw and Gupta, 2013). O'Reilly and Tushman (2013) emphasize ambidexterity as a tool for change: "Ambidexterity is (...) about developing the capabilities necessary to compete in new markets and technologies that enable the firm to survive in the face of changed market conditions."

Duwe (2018) explains the need for organisational ambidexterity through the S-curve model used to describe the maturity of technologies. When a new technology emerges, a lack of experience, processes, and know-how results in slow adoption. In the growth phase, experience is gained, performance is improved, and technology establishes. In the maturity phase, the technology reaches its performance limit and is often displaced by other technologies. The need for ambidextrous organisations stems from the transition period at the intersection of two technology S-curves. While the proven technology is still in the phase of performance enhancement, the life cycle of a completely new technology, which has the potential to substitute the previous solution, begins.

At the heart of the concept of organisational ambidexterity lies the distinction and balance between exploitation, the expansion and evolutionary development of the core business, and exploration, the development of new business models and new markets (Duwe, 2018). To be successful, a company needs to implement both exploitation and exploration. However, these two *modi operandi* compete for scarce resources, e.g., investment in the core business versus new growth areas, differentiation versus low-cost production, etc. (Gibson and Birkinshaw, 2004). Hence, organisations must maintain a balance between these two aspects and implement processes to allocate resources to stay relevant in the future efficiently. Consequently, ambidextrous companies need to optimise their core business to create financial scope for investment in R&D for new growth areas (Duwe, 2018).

According to Shafique et al. (2021), organisational ambidexterity is an essential indicator of the environmental orientation of firms and if it is combined with CSR, it allows firms to improve their environmental performance. In this context, CSR is understood as "a voluntary obligation of companies to behave in a responsible way to the environment of society and the environment that affects their functioning" (Svobodová and Bednarska-Olejniczak, 2021).

Because of the responsibility of automotive suppliers towards society, CSR plays an important role and requires firms "to operate a company innovatively, deliberately incorporating ecological, economic, and societal concerns in activities and approaches of company activity" (Khan et al., 2021). As CSR is related to the responsible behaviour of companies towards their stakeholders, it facilitates efforts to produce environmentally friendly products and be more sustainable (Shafique et al., 2021). This CSR focus is necessary for companies as customers increasingly demand environmentally friendly products and services (Khan et al., 2021).

Since organizational ambidexterity is likely to allow suppliers to balance the competing demands of the core and of the new business and is shown to have a positive impact on CSR,

the following research aims to determine how suppliers can best leverage organisational ambidexterity to achieve a successful transformation.

O'Reilly and Tushman (2013) distinguish three ways ambidexterity can be implemented in an organisation: sequential ambidexterity, structural ambidexterity, and contextual ambidexterity.

#### *Sequential ambidexterity*

Sequential ambidexterity can be described as a periodic reorientation of a company to adapt to changing market conditions. This means that organic structures follow mechanistic structures in the exploration and exploitation phases. While sequential ambidexterity might be sufficient in a stable, gradually changing environment, a simultaneous pursuit of exploitation and exploration is required in a fast-changing environment (O'Reilly and Tushman, 2008).

#### *Structural ambidexterity*

For a company in a fast-changing market, a structural separation between exploration and exploitation aims to allow for free experimentation in explorative areas while still enabling efficiency gains in the core business processes (Rost et al., 2014). This is supported by Fojcik (2013), who found that small and medium-sized automotive suppliers follow structural ambidexterity if the rate of technological change is high. In addition, he relates the type of ambidexterity to the company size, finding that larger automotive suppliers tend to follow structural ambidexterity.

#### *Contextual ambidexterity*

Whereas structural ambidexterity integrates exploitation and exploration at senior management level, contextual ambidexterity aims to balance both within the same organisational unit (Gibson and Birkinshaw, 2004). Thus, the challenge of ambidexterity is not solved by a structural separation of exploitation and exploration but rather through a "behavioural capacity to simultaneously demonstrate alignment and adaptability across an entire business unit" (Gibson and Birkinshaw, 2004). Contextual ambidexterity aims to create a balance between exploitation and exploration on an individual basis by providing the right business context, rather than a structural or temporal separation. Individual associates are encouraged "to make their own judgements as to how best divide their time between the conflicting demands for alignment and adaptability" (Gibson and Birkinshaw, 2004). If contextual ambidexterity is achieved, Rost et al. (2014) state that it minimizes information shortfalls. In practice, Kauppila (2010) points out that many companies implement a hybrid model of ambidexterity through a combination of structural and contextual means.

### **Competence requirements**

The implementation of ambidexterity inside a company requires specific competencies from the leadership and the workforce (Renzl et al., 2013). For employees in an exploitation context, competencies such as reliability, the performance of one's duties, resilience, and willingness are needed. In an exploration context, on the other hand, adaptability, self-awareness, self-initiative, risk-taking, and unconventionality are required (Renzl et al., 2013).

In the context of transformation, Erpenbeck (2012) considers competencies to be the abilities needed to cope with complex situations in a self-organised and creative way. Concerning individual competencies, Erpenbeck distinguishes between four dimensions of competencies, namely meta-competencies, basic competencies, key competencies and cross-sectional

competencies. Erpenbeck defines meta competencies primarily as the ability to self-organize and direct, demonstrating openness to values or identifying situations and contexts. The second dimension, basic competencies, is subdivided into personal, action-related, professional-methodological, and social-communicative competencies. Personal competencies refer to the ability to reflect on actions and develop personal solution-oriented values and attitudes that foster creativity. Action-related competencies refer to the ability to implement insights and findings in a self-organised and committed manner. For the transformation, this includes employees courageously approaching new, previously unknown solutions with the flexibility to adapt to new tasks (Gairing, 2020). The professional-methodological competencies can be characterised as the knowledge of respective state-of-the-art technical and methodological knowledge as well as the presence of individual, unique knowledge. Social-communicative competencies include optimising cooperation and communication processes on an interpersonal level. The third and fourth dimensions of Erpenbeck's model are key competencies and cross-sectional competencies. These consist of specific bundles of the four basic competence groups described above (Erpenbeck, 2012).

For leaders, the required competencies differ, creating a framework that is conducive to ambidexterity being of the utmost priority. Responsibility must be handed over to employees (empowerment) and a culture that allows failure must be established. Only if mistakes are accepted as part of innovation and creativity, can employees develop new ways of thinking and explore successfully (Gairing, 2020). In an innovation context, leaders must constantly adapt and give up their emotional attachment to their position. They need to promote social interaction between individuals in the organization (Duwe, 2018). Especially at the top management level, good cooperation and constant information exchange are important (Lubatkin et al., 2006). Gibson and Birkinshaw (2004) argue that top executives can best influence employee behaviour towards ambidexterity by being role models, modelling the desired behaviours, and rewarding employees.

Although there are suggestions on how to implement ambidexterity in an automotive supplier company (Renzl et al., 2013; Fojcik, 2013), implementing an ambidextrous approach remains a major challenge and there is currently no consensus regarding which type of ambidexterity is the most successful (Müller and Stephan, 2020).

### **3. Research design and method**

The aim of our research was to identify the role of organizational ambidexterity in the transformation process of the automotive supplier industry towards a green future. Since automotive suppliers are currently in the middle of the transformation process, there are no clear guidelines on how organizational ambidexterity is successfully implemented. In such "under-researched areas of knowledge", an exploratory research approach is appropriate (Stokes and Wall, 2014). The following questions were used to guide this approach:

- What role does organisational ambidexterity play, and what recommendations for action can be derived?
- Which competencies are required from leadership and the workforce for a successful transformation process?
- How can leadership determine whether or not the transformation (especially of the workforce) is successful?



To find answers to the research questions, 12 expert interviews were conducted with key stakeholders. The aim was to combine different perspectives and thus provide a holistic view of the transformation in the automotive supplier industry.

Due to its very competitive and dynamic environment, and the lack of data published about this topic for this segment so far, the emphasis was placed on the German automotive supplier industry. The experts interviewed included top level managers from automotive suppliers such as Bosch, MAHLE, and Mann+Hummel, partner-level consultants from BCG and Kearney, employee representatives from Bosch and the “Bundesagentur für Arbeit”, and ambidexterity experts (see Table 1). To validate the findings internationally and highlight potential differences, additional interviews were carried out with top managers from automotive suppliers in the US and China.

The interviews were semi-structured and based on an interview guideline to make the interview results comparable (Bortz and Döring, 2006) and ensure that certain questions were asked in each interview (Gläser and Laudel, 2009). To be able to analyze the interviews with a qualitative content analysis, the interviews were, with the consent of the interviewees, recorded (Bogner et al., 2014) and subsequently transcribed (Bortz and Döring, 2006).

**Table 1. Overview of the interview partners**

Name	Company	Position	Work experience	Expert role
AL-SIBAI, Jumana	MAHLE GmbH	Member of the Management Board, Corporate Executive Vice President and General Manager Thermal Management	> 18 years (different companies)*	Supplier
CENTMAYER, Sebastian	Knorr-Bremse AG	Head of Strategy	> 14 years*	Supplier
DANNENBERG, Matthias	Robert Bosch GmbH	Senior Vice President Finance & Controlling (Automotive Electronics) (previously Head of Mobility Strategy)	> 19 years	Supplier
DEWITZ-GRUBE, Anke	Robert Bosch GmbH	Bosch Inhouse Consultant (previously Lean-agile Transformation Coach)	> 25 years	Ambidexterity expert
DUWE, Dr. Julia	TRUMPF Werkzeugmaschinen SE + Co. KG	Head of product development	> 15 years*	Ambidexterity expert
FOUQUET, Dr. Klaus Peter	Mann+Hummel GmbH	Shareholder representative	> 35 years (different companies)	Supplier
HIEBEL, Andreas	Robert Bosch GmbH	Deputy chairman of the Works council (Feuerbach); retired	> 41 years	Employee representative
JAIN, Sujit	Robert Bosch LLC	Regional President – North America	> 39 years (different companies)* 15 years as Regional President	Supplier
KLINK, Dr. Götz	Boston Consulting Group	Managing Director & Partner	> 24 years*	Consultant

Name	Company	Position	Work experience	Expert role
KRUBASIK, Stephan	A.T. Kearney GmbH	Partner	> 17 years*	Consultant
RAUCH, Christian	Federal Employment Agency (Bundesagentur für Arbeit)	Managing Director of the Baden-Württemberg Regional Office	> 14 years*	Employee representative
WANG, Weiliang	Bosch Automotive Diesel Systems Co. Ltd.	Regional President – China	> 30 years	Supplier

\* Additional research.

For the analysis of the interviews, the qualitative content analysis based on Mayring was chosen. To do so, a category system was developed to make the analysis comprehensible and transparent to others. For the subsequent analysis, a combination of summarising and structuring the material was used. The summarizing of the material seeks to reduce the material to the relevant content and can be further broken down into an inductive category formation, which only considers certain aspects of the material that fall into specific categories. The inductive category formation requires several steps. In the first step, the category definition and level of abstraction are determined. Then, the inductive categories are formulated step by step. The material is paraphrased, and irrelevant parts are left out. Next, the material is generalised according to the level of abstraction. The first reduction removes parts that do not significantly contribute to the content. In the second reduction, the remaining aspects are reduced to categories. The categories are revised after between ten and 50% of the material has been analyzed before the remaining parts are evaluated (Mayring, 2015).

Structuring the material aims to filter out certain aspects of the material according to pre-defined criteria. It can be further divided into formal, content-related, typifying, and scaling structuring. Subsequently, content-related structuring is applied (Mayring, 2015). Unlike the inductive approach, in the deductive category application, the categories are not formed based on the material but are formulated ahead of time-based on the theory and hypotheses or the interview guideline (Kuckartz, 2018). The first step of the deductive category application is the extraction of categories from the theory and the interview guideline. Definitions of the different categories are formulated, and coding rules for the categorisation are determined. The categories, definitions, coding rules, and anchor examples are collected in a coding agenda. The coding rules serve as a tool to clearly differentiate between subcategories and allow for a comprehensible assignment of categories. Similar to the inductive approach, the categories and the coding agenda need to be revised (Mayring, 2015).

To answer the first research question on the role of ambidexterity in the automotive supplier industry, the deductive categories *importance of ambidexterity*, *type of ambidexterity*, *role of business area*, *resource allocation*, *the role of leadership* as well as the inductive category balance were considered. For the second research question on the competencies of leaders and employees, the deductive categories *competencies* and *competence development* as well as the inductive category communication were analysed. The deductive category *velocity* is identified as an additional success factor. For the final research question regarding the success of the transformation process, the deductive category *success measurement* was evaluated.

## 4. Results and Discussion

### Role of ambidexterity

#### *Importance of ambidexterity*

Most experts agreed that ambidexterity plays an essential role for automotive suppliers in the transformation process: “This plays a very, very large role” (KRUBASIK), “It is the only model of thought and action that I have found in science and in practice, for this period of transition” (DUWE). The consultant KLINK added that in 70 to 80% of his current projects he deals with ambidexterity.

RAUCH, however, argued that the importance of ambidexterity depends primarily on the type of supplier. For suppliers that are highly dependent on the ICE business he agreed that ambidexterity is essential. However, for suppliers that are already diversified and whose core business is mostly independent of the ICE, ambidexterity plays a subordinate role. CENTMAYER alone mentioned that for autonomous driving, in the context of his company’s offering, there is no ambidexterity as this is more like “an extension of our core portfolio”.

#### *Type of ambidexterity*

In alignment with the theory (Müller and Stephan, 2020), there is no clear consensus among the experts as to which type of ambidexterity is most successful. KRUBASIK offered a three-step process including: first, formulating the goals that are to be achieved; second, weighting the goals; and third, deriving the optimal ambidexterity setup. The main factors for the decision between structural and contextual ambidexterity include type of growth, proximity to the core business, customers, and company size (see Table 2). While this matches Fojciks (2013) findings that large suppliers tend to follow structural ambidexterity, the experts highlight other factors in favor of a structural separation aside from the rate of technological change. The main reason for structural separation being the entrance of new customers (FOUQUET, JAIN, WANG).

**Table 2. Rationale behind structural and contextual ambidexterity**

	Structural	Contextual
Type of growth	Acquisition (structural separation already given) (KRUBASIK)	Organic (KRUBASIK)
Proximity to core business (in terms of product and service)	Far from the core business (KRUBASIK)	Close to core business (KRUBASIK)
Customers	Different units are needed to serve new customers (FOUQUET, JAIN, WANG)	–
Company size	Large (RAUCH)	Medium-sized (RAUCH)
Incentive systems	Easier to reward future-oriented leaders (KLINK)	–
Main advantages	Speed (DANNENBERG, DUWE) Adaptability (DANNENBERG) New positioning of business area (KRUBASIK)	Synergy effects (DANNENBERG, DEWITZ-GRUBE, KRUBASIK, RAUCH) Scaling and mass-production (DANNENBERG) Motivation of employees (AL-SIBAI) Enrich existing products with digital components (DUWE)

A useful tool to achieve this structural separation are incubators. Bosch, for example, has created the incubators Kick-starter and Grow. Knorr-Bremse recently introduced the eCUBATOR, which functions as a think tank for electrification topics (CENTMAYER). Bosch, however, also has areas with contextual ambidexterity to benefit from resources and competencies in the core business. An example is the fuel cell components that are developed and manufactured at former diesel R&D centers and existing diesel sites (DANNENBERG). Consistent with Kauppila (2010), two suppliers use a hybrid approach of structural and contextual ambidexterity.

Lastly, KRUBASIK proposed including a product's life cycle into the decision-making process. At the beginning of a new idea or initiative, it can make sense to keep this business area separate to *"protect this business"*. This reasoning was supported by DUWE, KLINK, RAUCH, and WANG. KLINK took the life cycle idea even further, stating that in the beginning an idea originates from within the company or from a leader. Then, the new idea must be spun off into an incubator. Finally, the idea needs to be reintegrated to scale the business. However, several experts agreed that reintegrating a different idea into the core business is very challenging (DEWITZ-GRUBE, DUWE, KLINK). KLINK suggested that within ten years, companies would need to be able to integrate core business and new business in one unit.

#### *Role of business area*

In the context of the transformation, different roles were identified for the core and for the new business (see Table 3). Similarly to Duwe (2018), the experts agreed that the core business is needed to finance both the company and new initiatives (DANNENBERG, DUWE, FOUQUET, JAIN, KRUBASIK). The new business in turn serves as a space for innovation and creativity (DANNENBERG, DEWITZ-GRUBE, DUWE, RAUCH), with a view to generating revenues in the future (CENTMAYER, DUWE, FOUQUET, KRUBASIK).

**Table 3. Role of core and new business**

Core (exploitation)		New business (exploration)	
Finance the company and new initiatives	DANNENBERG, DUWE, FOUQUET, JAIN, KRUBASIK	Compensate for shrinking business areas and generate revenues in the future	CENTMAYER, DUWE, FOUQUET, KRUBASIK
<i>"Cash Cow"</i>	DUWE, KLINK, RAUCH	Serve as room for innovation and creativity	DANNENBERG, DEWITZ-GRUBE, DUWE, RAUCH
Must be run in the most efficient way	CENTMAYER, DEWITZ-GRUBE, JAIN	Two dimensions: space for innovation and time to experiment and innovate	RAUCH
Must be cost-efficient	DEWITZ-GRUBE	Learn, fail, and adapt procedure	DEWITZ-GRUBE
Must be cost-competitive	AL-SIBAI	<i>"Tube to conquer the market"</i>	WANG
Must deliver on time	DEWITZ-GRUBE		

#### *Balancing of exploitation and exploration*

Having determined the roles of the core and the new business, the following evaluates how a balance can be achieved between the two competing business areas. RAUCH pointed out that on lower levels of the hierarchy there is no balancing, rather associates either exploit or explore. However, the higher one goes within the hierarchy, the larger the need for ambi-

dexterity and a balancing of efforts becomes (DANNENBERG, DUWE, RAUCH). Up to a certain level, a person must be an innovator, above this level, a person must be enabler of innovation. For RAUCH, this intersection, where the enablement of innovation starts, is the point at which the need for balancing begins.

DUWE warned that, in practice, the future is often neglected in favour of the core business. The thought process is that the core business must continue to be promoted as it will remain relevant for at least another ten years (AL-SIBAI, JAIN, WANG). KLINK emphasised the contrast between start-ups and automotive suppliers. Start-ups are great at innovation, but usually less so at scaling. Established suppliers are great at scaling and efficiency but need help with innovation. Successful suppliers should be able to implement both aspects. WANG suggested that differing orientations can achieve this balance for the two businesses. The core business needs an outward orientation, which implies focusing on the market and customers, while the new business can be future-oriented. DEWITZ-GRUBE considers balancing the core and new business, and the respective mindsets required for both businesses, a very challenging task. To successfully manage this balancing, several steps are needed. First, leaders need to be aware that they are operating in an ambidextrous environment (DUWE). Then leaders must assign the right employees to the right business, *"and to assign this well, in my opinion, is the art"* (DEWITZ-GRUBE). Leaders must have a profound understanding of their team to determine *"who can do which job"* (DEWITZ-GRUBE). WANG agreed, adding that assigning who is future-oriented or not is based on experience. For this process to work well, leaders must be transparent with their employees (JAIN), set clear strategic guidelines, and clarify the contribution of the associates to the entire company (DANNENBERG).

RAUCH described this balancing in two dimensions: portfolio management and the attitude of leaders. He suggested a form of calendar-management to help leaders better allocate their time to the different tasks of optimisation of the core business and long-term innovation. KRUBASIK described the balancing from a different perspective and explained that he wants *"dissent", "a constructive clash of the old world and the new world"*. This means that there should be no simple consensus that everything must be done differently and that all success patterns are transferable to the future. Leaders can achieve this through an *"integrated vision, integrated target picture, but differentiated control mechanisms"* (KRUBASIK).

#### *Resource allocation*

To achieve this balancing between core and new business, resource allocation plays a crucial role. The resources that need to be allocated include personnel, R&D expenditures, and general investment. Several experts stated that resource allocation is a strategic process that depends on the future vision of the company (DEWITZ-GRUBE, DUWE, KRUBASIK) and thus needs to be constantly adapted (DUWE). Concerning the resource allocation to the core business, no major changes are required (JAIN, WANG). However, suppliers must continue investing in the core to keep it alive (DEWITZ-GRUBE) and increase its efficiency to save resources. WANG pointed out that suppliers are very experienced in the core business and have developed concrete mathematical models for the resource allocation. The distribution of resources between the core business and the new business can be divided into general resources and R&D expenditure. The overall resources reside mainly in the core business (AL-SIBAI, DANNENBERG). WANG explained that 80% of overall resources are still allocated to the core business, while only 20% are allocated to the new business. Regarding R&D expenditure, the situation is different. At MAHLE, 90% of the central research budget is invested in new topics (AL-SIBAI).

WANG indicated that in his company, 63% of R&D expenditure is allocated to the new business areas. It is evident that suppliers will reduce investments in the core business in the future and allocate more and more resources to the new business (AL-SIBAI, DANNENBERG, JAIN). A clear strategic target can help in setting proper allocations. WANG explained that his company allocates the resources based on five-year plans. Before resources are allocated, these plans are further broken down into one-year increments which clearly define what the company wants to achieve in the following year in terms of product development, market share, profitability, and competence.

For the allocation of financial resources to the new business, DEWITZ-GRUBE proposed the method of effectuation<sup>1</sup>. This allows the company to incrementally invest in new areas where little knowledge is available. Regarding personnel allocation, CENTMAYER suggested that for the model of structural ambidexterity, associates should be selected based on personal strengths. RAUCH added that for the scaling of a new business, and when the new product is market-ready, experienced associates from the core business should be transferred to the new business area. HIEBEL, offering the perspective of an employee representative, encouraged a people-to-position allocation of employees based on their respective profiles. KRUBASIK was more critical when it comes to internal staff reallocation, stating his opinion that for the new business *"a certain degree of highly positioned new people is required. Always."* It needs people who are free of the *"dogmas"*, *"beliefs"*, and *"success patterns"* of the core business. In conclusion, KLINK stated that resource allocation is a crucial leadership task as it *"will always be a bottleneck."*

#### *Role of leadership*

As described by O'Reilly and Tushman (2013), leadership plays a central role in mediating between exploitation and exploration. The experts interviewed agreed with the theory: *"The topic of leadership is the decisive factor for me and a clear strategy of where we are headed"* (AL-SIBAI) and *"leadership is a very, very essential element"* (KLINK). DEWITZ-GRUBE further defined leadership as *"leading myself, leading my team, and leading others"*, seeing leadership as not only an intellectual task, but also a highly emotional one. The expert interviews highlighted three central motives for leaders' characteristics: a 'caring leader', an 'appreciative leader', and a 'motivational leader' (see Figure 1).

It is crucial for leaders to appreciate people in the core business as well as in the new business areas (AL-SIBAI, DUWE). According to DUWE, *"If you put too much emphasis on the new, (...) people in the core business may feel neglected."* Gibson and Birkinshaw (2004) went one step further and highlighted the need to reward employees versus just appreciating them.

These caring, appreciative, and motivational leadership styles are necessary to prevent losing the employees and to better engage them in the transformation process (DUWE, RAUCH). KRUBASIK emphasized the relevance of who is selected for the leadership role, as this sends a clear message to the organization. This follows up on his previous argument that new people in high positions are required for the new business areas. DUWE distinguished between two types of behavior for the core business and the new business. In the core business, leaders need a 'closing behavior'. This means that leaders must inform, give answers, and pay attention

<sup>1</sup> The concept of effectuation was first introduced by Sarasvathy and represents the opposite of causation logic. She defines it as: "Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means." (Sarasvathy, 2001). A key principle is that decisions are made based on the available resources and the loss one is willing to accept, rather than expected returns.

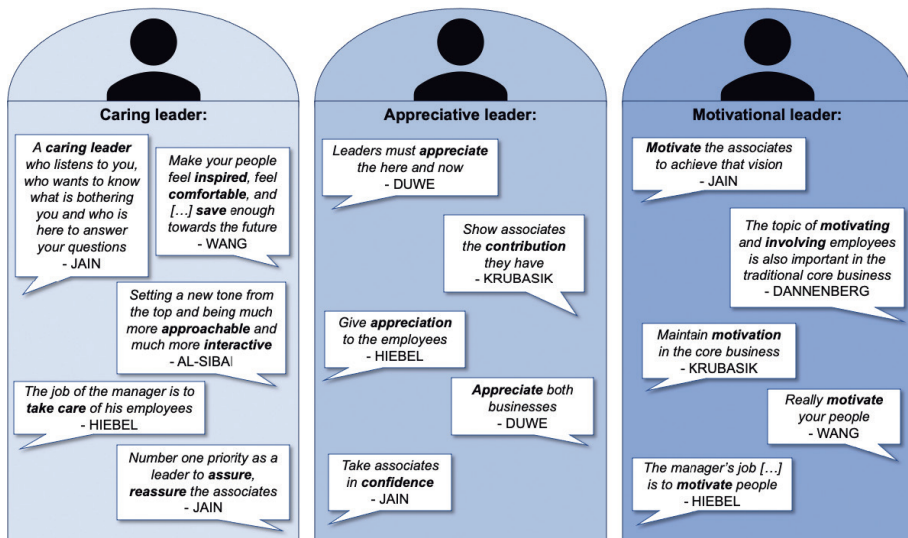


Figure 1. Three roles of leadership

to efficiency and speed. In the new business area, on the other hand, leaders need an 'opening behavior'. They must create room for innovation, ask questions, and connect people. Lastly, JAIN pointed out that a leader's role is also to instill an entrepreneurial mindset in future leaders. He encourages his next generation of leaders to *"Think that you own this business and what will you do if you own this business."*

### Competencies

In the following, the competencies are examined based on three dimensions: competencies for leaders versus competencies for associates, competencies for the core versus competencies for the new business, and professional competencies versus soft skills. For this examination, professional competencies are understood as professional-methodological competencies as defined by Erpenbeck (2012). Soft skills consist of the remaining basic competencies as well as the meta competencies in Erpenbeck's model.

For leaders in the core business, the main professional competence identified was cost management, i.e., the ability to manage the business as efficiently as possible while keeping the costs to a minimum (AL-SIBAI, DUWE, RAUCH) (see Table 4). A soft skill that was identified for leaders in the core business is agile working (KLINK, KRUBASIK, RAUCH). However, the experts mentioned this skill not only for leaders in the core business, but also for leaders and employees in the new business (AL-SIBAI, KLINK, KRUBASIK, RAUCH).

The soft skill that was mentioned most often for leaders in the new business is an entrepreneurial or start-up mindset. This competence was mentioned by five experts (CENTMAYER, DANNENBERG, DEWITZ-GRUBE, JAIN, WANG). However, this entrepreneurial mindset was not only mentioned for leaders, but also for employees in the new business (CENTMAYER, DEWITZ-GRUBE, JAIN). Another very important leadership competence for the new business is customer orientation (DANNENBERG, FOUQUET, JAIN, WANG). WANG pointed out that *"you not only need to understand the technology, but you also need to understand how a customer will use the technology and what is the expectation of the new customers and the new customer require-*



**Table 4. Main competencies**

Position	Business area	Type of competence	Competence	Mentions*
Leader	Core	Professional	Cost management	3
		Soft skills	Agile working skills	3
	New	Professional	n/a	n/a
		Soft skills	Entrepreneurial mindset/startup mindset/experimentation	5
			Agile working skills	4
			Customer orientation/understanding	4
			Ask questions	3
			Storytelling	3
			Resoluteness (willingness and ability to enforce decisions)	3
			Communication	3
			Flexibility	3
			Collaboration skills	3
Employee	Core	Professional	n/a	n/a
		Soft skills	Willingness to change/openness	3
	New	Professional	Software knowledge (vehicle software)	5
			Digitalization skills	4
			Electrification/power electronics	4
			Connectivity/network knowledge	3
		Soft skills	Willingness to change/openness	4
			Agile working skills	3
			Entrepreneurial mindset/startup mindset/experimentation	3

\* Number of experts who mentioned this competence.

ments." For JAIN customer orientation is also a competence for employees, as *"leaders are not the only ones who are dealing with the customers."* Other soft skills identified for leaders in the new business include asking questions, flexibility, collaboration skills, and communication. Three experts mentioned communication explicitly as a competence, however, due to the variety of sub-items, the category *communication* was determined using an inductive approach and is therefore examined separately.

Additionally, 'resoluteness' was identified as a competence. This means that leaders must enforce decisions and end innovation projects earlier, if it is foreseeable that they will not be successful. Another important skill of leadership is storytelling. AL-SIBAI stated that leaders need *"to tell the story in such a way that the employees understand it and want to hear it."* KLINK quoted Antoine de Saint-Exupéry to describe storytelling: *"Do not talk about building a boat. Talk about the great expanse of the sea."* For employees, both in the core and in the new business, the main soft skills are openness and willingness to change (AL-SIBAI, DEWITZ-GRUBE, DUWE, HIEBEL). This expands on the findings of Renzl et al. (2013), who emphasise adaptability primarily in an exploration context.

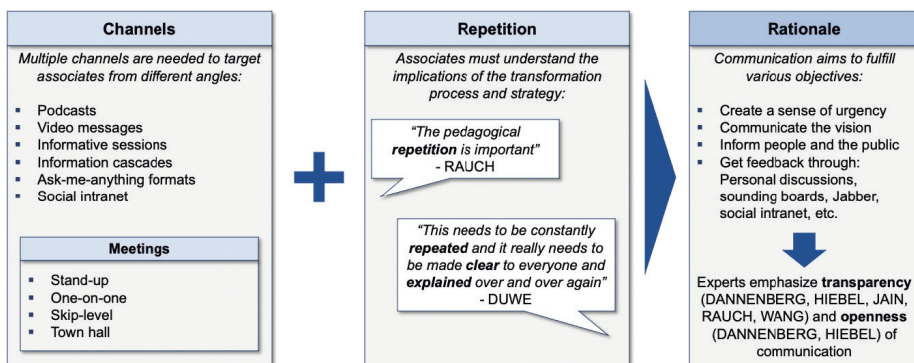


Concerning the professional skills of employees for the new business, software knowledge was the competence most frequently mentioned by the experts (AL-SIBAI, DANNENBERG, JAIN, KRUBASIK, WANG), followed by digitalisation skills, electrification, power electronics knowledge, connectivity and network knowledge. Other interesting competence suggestions from the experts include project management skills for leaders and employees in the new business (KLINK). AL-SIBAI expressed her belief that employees in the new business must have an economic and business understanding to be able to determine the economic viability and potential marketability of new product innovations.

Regarding the interplay between professional competencies and soft skills, KLINK stated that *"of course you need software and so on and so forth. But that is the easy part."* He suggested that if companies need people who can work with software, they can usually get these people very fast. This supports Gairing's (2020) reasoning that key competencies should be promoted rather than specific knowledge, since specific knowledge can quickly become outdated. While KLINK believes that both competencies are equally relevant, he thinks soft skills require more attention. Concerning the distribution between professional competence and soft skills, KLINK remarked that for leaders, it is around two-thirds soft skills, and one-third professional skills, while for the employees it is the other way round.

### Communication

Communication plays a crucial role for the creation of an ambidextrous company and a successful transformation towards a green future (AL-SIBAI, DUWE, JAIN). *"I have to (...) communicate, communicate, communicate"* (JAIN). Successful communication is carried out using multiple channels and needs to be repeated (see Figure 2). This is consistent with Lubatkin et al. (2006), who state that a constant exchange of information is important especially at the top management level. To address the concerns of employees and have them engage with the transformation journey, communication must be transparent and open. Furthermore, communication must also be adapted to the respective country and culture: *"You cannot tell a German story in China"* (WANG).



**Figure 2. Characteristics of successful communication**

While personal communication is the most effective way of communicating according to HIEBEL and RAUCH, digital communication is faster and allows for one-to-many communication. Communication also serves to communicate the purpose and vision (KLINK, KRUBASIK,

RAUCH) and is needed to create a sense of urgency for the workforce. At Bosch for instance, innovation challenges, pitch nights, and failure culture nights are carried out to increase the urgency and awareness of the transformation (DANNENBERG).

WANG explained the importance of external communication in that the public, the state, and especially the customers need to be aware of the progress a company is making in the new business areas. The external communication also allows suppliers to communicate CSR efforts to its stakeholders.

### *Competence development*

Suppliers generally have two possibilities to obtain the necessary competencies analyzed in the previous paragraphs. They can get or develop the competencies externally or develop them internally. Because of the general market conditions and demographic changes, in the future it will not be possible to get all new competencies from the market. Large suppliers will be able to fill their competence gaps by hiring, while small suppliers will have to place a much greater emphasis on re-skilling and up-skilling (RAUCH). Because of the link between organizational ambidexterity and CSR, following an ambidextrous approach can improve CSR, which in turn has been shown to increase organizational attractiveness if communicated to job seekers. Thus, following an ambidextrous approach has the potential to result in a higher number of job applications, helping suppliers fill competence gaps (Waples and Brachle, 2020).

Even though large suppliers might be able to fill competence gaps by hiring, competence development programs are seen as very important: *"I think this is super important"* (DUWE), *"extensive training programs at all levels (...) are also required"* (KRUBASIK). However, KLINK noted large differences in the level of development programs between automotive suppliers. Mann+Hummel for example *"did not need it"* (FOUQUET), Knorr-Bremse also does not have any broad qualification programs, and MAHLE is *"working on [it] right now"* (AL-SIBAI). Bosch on the other hand has already introduced a program called 'Passion to move' that aims to support the transfer of engineers from the ICE business to electrification (DANNENBERG). While Knorr-Bremse currently gets the new required competencies from outside of the company (CENTMAYER), FOUQUET and JAIN stated that it is first attempted to develop the competencies internally and only after, if necessary, are they acquired externally.

### *Success factor Velocity*

Regarding the time frame of the transformation process and how it can be accelerated, several experts agreed that velocity is essential for a successful transformation process (FOUQUET, JAIN, WANG). However, KRUBASIK pointed out that the decision of acceleration versus deceleration also depends on the scope of action the supplier has. Therefore, the right velocity must first be determined before accelerating. This can be achieved through benchmarking against competitors (AL-SIBAI, CENTMAYER, KRUBASIK). CENTMAYER suggested focusing on the suppliers' core competencies, as this allows the supplier to advance more quickly. DUWE stated that the velocity of the transformation can be increased by improving employee engagement. To do so, JAIN creates a sense of urgency among his employees, with KRUBASIK concurring that you need to *"create symbols for change"*.

WANG creates speed in his company through detailed five-year plans that have been approved by shareholders, people, and management, so that during the transformation process less coordination and reconciliation is needed. KLINK and KRUBASIK further suggested that the transformation process can be accelerated externally through collaborations with

other companies or consulting and agile coaching. DUWE and KRUBASIK also proposed the sale of certain core business areas, if the transformation needs to be accelerated immediately.

In an analysis of Toyota's speed of entry into the EV business, Kawai (2022) found that the speed was insufficient due to a lack of dynamic managerial capabilities. One of the main reasons that prevented the necessary changes was the absence of a strong sense of social responsibility for global warming. This links back to the important connection between organizational ambidexterity and CSR.

However, not all experts agreed with an acceleration of the transformation process, DEWITZ-GRUBE asking *"do we want to accelerate at all?"*. AL-SIBAI and HIEBEL stated that they would rather slow it down and improve employee engagement. The strategic goal of the transformation must be clear before a supplier tries to accelerate the process: *"To paraphrase Mark Twain: When they lost sight of the goal, they increased the speed"* (AL-SIBAI).

#### *Success measurement of transformation*

The measurement of transformation success is currently a significant challenge. The interviewees described it as a *"tricky question"* (KLINK), a *"huge difficulty"* (DUWE), and something that is *"measure[d] far too little"* (DEWITZ-GRUBE). Regarding the actual measurement of the transformation success, KLINK and RAUCH both stated that it is not possible without looking at traditional key performance indicators (KPIs) such as revenue, profitability, and market share. *"For a change without KPIs I always have the image: die in beauty"* (RAUCH). However, these traditional KPIs are not sufficient for the measurement of the transformation success, as it takes time before success in the marketplace can be evidenced using traditional KPIs (DUWE). DEWITZ-GRUBE also pointed out that numbers are used *"too much to control and too little to read as an indicator of where there is room for improvement."*

In response, DEWITZ-GRUBE, DUWE, and RAUCH suggested a combination of the traditional, quantitative KPIs and new, qualitative success criteria. For the automotive suppliers who were interviewed, this represents an area with clear potential for improvement as the focus currently still lies on the traditional KPIs: *"No, so far, we have really focused on the quantitative targets"* (CENTMAYER) and *"we (...) do not yet track holistically (...) on the topic of workforce transformation"* (DANNENBERG). DUWE proposes to start with qualitative criteria and look at the quantitative KPIs at a later stage of the transformation process. KRUBASIK did not differentiate between qualitative and quantitative criteria, but between input-oriented and output-oriented, i.e., result-oriented metrics. While output-oriented metrics are represented by the traditional KPIs and depend heavily on the target setting, input-oriented metrics serve as early indicators to show if suppliers are on the right track.

Concerning the qualitative success criteria, DEWITZ-GRUBE noted that *"employee satisfaction needs to get better"* and AL-SIBAI added *"I have not yet seen that there are metrics for employee satisfaction."* HIEBEL and RAUCH, both offering the employee representative perspective, emphasised employee satisfaction as an important qualitative success criterion. DUWE added customer satisfaction as an essential factor to consider. According to DUWE, the main role of any company is to fulfil customer wishes and thereby generate profits. *"With all transformation, you always have to keep in mind what you are doing it for, namely for the customer"* (DUWE).

DANNENBERG, DEWITZ-GRUBE, and KLINK consider the objectives and key results (OKRs) method as an alternative to traditional KPIs and a valuable tool to measure transformation success. DEWITZ-GRUBE highlighted that this method allows companies to respond to changes faster. Finally, DANNENBERG pointed out that there is always a balancing between too many

and too few success criteria: *"It is always a challenge between lean reporting (...) versus holistic tracking in a complex KPI system."*

The following table shows a proposal of a complete model for the measurement of transformation success (see Table 5), considering both quantitative and qualitative criteria to determine the general business development as well as workforce transformation. Further quantitative analyses are needed to verify the theories developed on transformation success measurement.

**Table 5. Transformation success measurement model**

General business	Success criterion	Area	Negative	Neutral	Positive
General business	Revenue decline	Core	> Market	= Market	< Market
	Revenue growth	New	< Market	= Market	> Market
	EBIT (Profitability)	Core/New	< Average	= Average	> Average
	Market share	Core/New	Declining	Stable	Growing
	Project acquisitions	Core/New	< Market	= Market	> Market
	Project acquisition hitrate	Core/New	< 50%	50–60%	> 60%
	Dependency on ICE	Core	> 40%	40–20%	< 20%
	Change in dependency on ICE	Core	< Market	= Market	> Market
	R&D Investment	Core/New	Core > New	Core = New	Core < New
	Time-to-market	Core/New	< Market	= Market	> Market
	Customer satisfaction	Core/New	Dissatisfied	Satisfied	Very satisfied
Workforce	Employee distribution	Core/New	Core > New	Core = New	Core < New
	Personnel adjustment/new hires	Core	> Revenue decline	= Revenue decline	< Revenue decline
		New	External recruitment	50% external 50% internal	100% internal
	Employee reskilling (if needed)	Core	< 40% reskilling of employees in core business	40–60% reskilling of employees in core business	> 60% reskilling of employees in core business
	Employee satisfaction	Core/New	< 70% satisfied	70–85% satisfied	> 85% satisfied
	Clarity of transformation target/vision	Core/New	< 60% aware	60–90% aware	> 90% aware

## 5. Conclusions

In conclusion, it is evident that the trends electrification, autonomous driving, digitalization, and new mobility services pose unprecedented challenges for automotive suppliers. These trends have been further accelerated by the COVID-19 pandemic. To deal with these challenges and improve their CSR performance, automotive suppliers must follow an ambidextrous approach to make their core business more efficient, while at the same time seizing new growth opportunities towards a green future. Since no clear guidelines exist regarding how this setup can successfully be achieved, this article provides a first approach that automotive suppliers can follow.

Summarising the findings of the research, the following practical recommendations are derived. Leadership of automotive supplier companies must realize that they are operating in an ambidextrous environment. The strategic direction of the company needs to be determined before the appropriate type of ambidexterity setup. Therefore, management must understand the skills of employees and assign the right employees to the right business areas if possible. In doing so, leadership must be transparent, set clear strategic roles, and clarify the contribution of the associates to the entire company. To successfully integrate both business areas into a functioning business, an integrated vision and target picture are needed. Control mechanisms, however, must be differentiated between the two business areas. To best manage the competition between the two business areas, leadership can allocate time using calendar-management. They also must ensure they act as caring, appreciative, and motivational leaders. For the core business, a 'closing behaviour' is most appropriate, i.e., leadership informs, gives answers, and pays attention to efficiency and speed. An 'opening behaviour' should be adopted for the new business area. This means that room for innovation is created, questions are asked, and people are connected with one another. The required competencies for employees are more technical and include software, digitalisation, and electrification knowledge. However, employees also need openness and willingness to change in a volatile environment such as the automotive supplier industry. On the other hand, leadership needs an entrepreneurial mindset, agile working skills, and a strong customer focus. To ensure employees are engaged with the transformation journey and prevent losing them along the way, intensive communication and constant repetition are needed.

An additional factor for a successful transformation is velocity. However, leaders must ensure that they engage employees in the journey at all times. Lastly, no holistic and complete models currently exist to measure the transformation process and determine what a successful transformation looks like. Although the search for new success criteria is gaining importance, the focus still lies on traditional KPIs. Further studies are needed to develop a holistic model for the measurement of transformation success.

Since the results were collected using a qualitative approach, further quantitative studies are needed to validate the theories developed. In addition, the findings depict the situation of large automotive suppliers based in Germany and must therefore be applied with caution to the global automotive situation. However, since the suppliers interviewed are active on a global scale, this study is still representative. As the question on success measurement in the transformation process has shown, currently no holistic models to indicate what a successful transformation looks like and which criteria should be considered exist. This increases the challenge of separating successful from unsuccessful recommendations.

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