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Social Innovation in the Food & Beverage Sector

The case of ZüriChips

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INTRODUCTION

Often the social sector is associated with words such as volunteering, charities, donations, philanthropy, etc. On the other hand, words like business model, entrepreneurship, prototyping, strategic planning, are less likely to be used.

However, there are several examples of successful entrepreneurs that have devoted their knowledges and resources to the social field.

Think about Bill Gates that together with his wife Melinda started a foundation to fight the problem of poverty, both absolute and relative, around the world[1]. Or again Mark Zuckerberg that founded with his wife the *Chan Zuckerberg Initiative* aimed at solving the biggest societal challenges through the use of technology[2].

According to this view, the social sector is not just about the work of charities and no profit organizations; but, as the examples show, it is strictly related to scientific approach to innovation and entrepreneurship.

In this context, a new form of organization has developed, the so called "social enterprise", which stays in the middle between the for-profit and not-for-profit world.

This work aims at explaining the concept of social enterprise and the process to develop and implement a social innovative idea. To do so, this thesis will present and discuss the example of ZüriChips, a Swiss social enterprise that fights the problem of food waste through its sustainable potato chips derived from rescued bread.

Following the entire process of ideation and development of the business case, I was able to derive some general observations regarding the steps of the social innovation process and how a new social venture works.

This thesis is structured in four chapter as follow.

The first chapter presents an overview of the main literature in the field of social innovation, describing the actors involved, the process and the difference between social

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[1] Bill & Melida Gates Foundation. (s.d.). *FOUNDATION FACT SHEET*. Tratto da
    https://www.gatesfoundation.org/Who-We-Are/General-Information/Foundation-Factsheet

[2] Chan Zuckerberg Initiative. (s.d.). Tratto da https://chanzuckerberg.com/about/our-approach/

and open innovation. Particular attention is paid on the definition of social enterprise, which differs from both for-profit and not-for-profit businesses in terms of value creation.

Innovation is strictly related to the role of the entrepreneur and how he/she is able to find opportunities within the context in which he/she operates. The second chapter attempts to describe the relationship between entrepreneurship and innovation and introduces the concept of social entrepreneurship. Moreover, some requirements are presented related to the steps a social entrepreneur should follow when opening a new business and which are the main sources of innovation.

The third chapter is about the problem of food waste. First, a general overview of the Food & Beverage sector is presented, with a detailed description of the food value chain. Then, there is a shift towards the specific problem of food waste, differentiating it from food loss and presenting some cases of social enterprises in the field.

In the last chapter, the problem of food waste is addressed under the point of view of ZüriChips, whose mission is "fighting food waste with delicious chips baked from rescued local bread"[3].
The case study was developed by submitting unstructured interviews to the founders of the start-up, analyzing their background, the development of the idea and their trajectories for the future. In particular, it is interesting to look at how a social project like this can actually become sustainable also under an economic point of view.

Thanks to the example of ZüriChips, this thesis provides some clarity around the social innovation process and the concept of social enterprise.
Regarding the social innovation process, findings show that it should be conceived as iterative and not as a series of step to be followed. This allows the company to move quickly and to be flexible throughout the whole journey. Moreover, the idea should be developed by getting insights directly form the target market through prototypes and tests, rather than relying too much on analyses and statistics.

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[3] ZüriChips. (n.d.). Retrieved from https://zuerichips.com

The composition of the team is another important aspect to be considered. There should be a good mix of different backgrounds and personalities in order to have different perspectives around the project.

Regarding the concept of social enterprise, findings identified different characteristics connected with this type of organization. First of all, it is important to have a solid business case in order to attract for new investors. Moreover, in order to deviate from normal businesses, social enterprises should focus on the message, that should be able to communicate clearly the social impact the firm aims to create. All of this should be supported by an adequate branding and communication strategy in order to engage as many people as possible in joining the cause. Lastly, the firm should be always looking for external partners to collaborate with, in order to acquire new knowledge and resources that could result in important competitive advantages.

CHAPTER 1. THEORY OF SOCIAL INNOVATION

1.1. Social Innovation

1.1.1. Defining social innovation

First of all, it is relevant to explain what social innovation is and how it developed over time.

A first definition provided by the Boston Consulting Group defines social innovation as *"the process of developing and implementing solutions to address difficult societal challenges"*[4]. Societal challenges include environmental, social and economic issues that affect negatively the society as a whole. A good framework to understand today's main global risks is the one proposed by the United Nations on the 17 Sustainable Development Goals. They include fighting the problem of hunger, inequalities, climate change, poverty, etc.[5]

Image 1: Sustainable Development Goals

Another definition provided by Mulgan (2006, p.146) states that:

> *"social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organizations whose primary purpose are social".*

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[4] Boston Consulting Group. (n.d.). *What is Social Innovation?* Retrieved from
https://www.bcg.com/capabilities/social-impact/social-innovation.aspx

[5] United Nations. (n.d.). *About the Sustainable Development Goals*. Retrieved from un.org:
https://www.un.org/sustainabledevelopment/sustainable-development-goals/

This one is particularly interesting because it refers to the concept of 'meeting social needs' and in this way, it connects the field of innovation with people and the society in general.

The Young Foundation, together with the Danish Technology Institute and other partners, analyzing different definitions of social innovation available in the literature, derived a comprehensive definition that states (Caulier-Grice, et al., 2012):

> *"social innovations are new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new or improved capabilities and relationships and better use of assets and resources. In other words, social innovations are both good for society and enhance society's capacity to act."*

This seems to be the most exhaustive definition, because despite the meeting of social needs, it focuses on the effects that social innovation creates by enhancing the potential of the entire society ("society's capacity to act") (Caulier-Grice, et al., 2012).

The concept of social innovation is not something new, but it has always characterized the development of societies all over the world. The next section is about the historical background of social innovation.

1.1.2. History of social innovation

Social innovations over time have shaped today's society, reaching many important objectives that now are taken as "given", such as the national health service free for everyone (Mulgan, et al., 2007, p. 9-12).

Social innovation history is characterized by different players that, according to the historical period, were able to encourage social activities and to improve the society's wellbeing (Mulgan, et al., 2007, p. 9-12).

Before the 18th century, the term "social innovation" wasn't coined yet, and it was englobed within the general notion of "innovation". In that period, the concept of innovation was strictly related to the idea of revolution, radical change, and for this reason it was perceived with a negative connotation by the majority of the population (Godin, 2012, p. 9-12).

The first who coined the word "social innovator" was William L. Sargant in 1858 with his work *Social Innovators and Their Schemes*, in which he criticized socialists or "social

innovators" because they were defending and supporting the poor classes of the society. Hence, in his picture, social innovation and socialism were basically synonyms (Godin, 2012, p. 10-12).

It was only during the 19th century that social innovation started to have a positive meaning, departing from the idea of socialism and approaching instead the concept of social reform (Godin, 2012, p.15-17).

During this period, many social institutions were born such as cooperatives, trade unions, reading clubs and philanthropic businesses (Mulgan, et al., 2007, p. 9-12). They all participated to the creation of the so called "Social economy", that was thought as a possible solution against the capitalist system (European Commission, 2017, p. 14).

In this case, the civil society was the main driver of innovation in the social field (Mulgan, et al., 2007, p. 9-12).

On the other hand, there were times in which governments have leaded social innovations, such as during the period after the World War II, with the born of the "welfare state" system (Mulgan, et al., 2007, p. 9-12). However, despite these advancements in the social field, at the time they were not associated with the concept of social innovation, but they all flowed into the "reforms of the state" (Moulaert, et al., 2013, p.25).

In parallel, the 20th century experienced also the rise of technological innovation, becoming a point of reference for the economic theory, that was developing at that time. Inevitably, this had hindered the role of social innovation and that's why most of the economic literature is based on the creation of economic, rather than social value. It is only during the 70s that social innovation was "rediscovered" thanks to a spread interest among population for social and political changes (European Commission, 2017, p. 17-18).

In fact, during 60s and 70s, starts the development of the socio-ecological movements, in particular connected with the problems of climate change and gender inequalities. (Mulgan, et al., 2007, p. 9-12).

All these activities have brought to a reevaluation of the role of social change in the literature of innovation (European Commission, 2017, p. 14). The first significant contribution to the social innovation theory was brought by the work of Chambon et al. (1982), which focuses on the role that social innovation covers in satisfying the needs of the society and the difference with the respect the intervention of the State (European

Commission, 2017, p. 18). Apart from this exception, the interests towards social innovation as a field of study started to develop just during the 90s (Defourny & Nyssen, 2013) and recently, as a result of the financial crisis of 2008, which has pushed the development of the "social and solidarity economy" (European Commission, 2017, p. 14). Hence, even if its historical roots can be found way back in time, there is still a lack of literature in the field of social innovation since it has turned into a subject of study just recently.

But the history of social innovation does not regard just the not-for-profit or public sector. The private sector as well has played an important role in improving people life by organizing cooperatives that were moved both by economic and social objectives. This mainly regards fields like finance, retailing or agriculture (Mulgan, et al., 2007, p. 9-12).

Last but not least, religion has also played a crucial role in encouraging social innovation. A recent example is the NGO Islamic Relief, which promotes social activities inspired by the Muslim faith (Mulgan, et al., 2007, p. 9-12).

Therefore, according to the different historical period, there have been different institutions that have promoted social innovative activities, and this has shaped the meaning of social innovation over time.

Let's now look at today's main protagonists of social innovation.

1.2. The actors of Social Innovation

1.2.1. Individuals, movements and organizations

As in the case of business innovation, the actors of social innovation can be single individuals, entire movements, or organizations (Mulgan, et al., 2007, p. 14-15).

At individual level, there are several examples of important figures who have brought disruptive social innovations that have changed today's world. They are not only entrepreneurs, but also politicians, NGO activists, artists etc. Common features they all share are having a social purpose, having excellent communications skills and having practical sense to implement their ideas (Mulgan, et al., 2007, p. 14-15).

One of the most interesting examples of social entrepreneur is the Peace Nobel Prize Muhammad Yunus. He is the inventor of the *modern microcredit*, an economic tool that allows poor people to have access to small loans and other financial services. In this way,

in the long run, they can become independent thanks to the outcomes of their activities (Ferrarin, 2018).

Yunus and its Grameen Bank started by offering this kind of service to poor people in Bangladesh, investing especially on women and on inhabitants of villages, rather than city centers. The idea behind was that everyone can be an entrepreneur with the right amount of confidence.

One of the programs sponsored by the bank was focused on street baggers, that everyday were visiting many houses asking for little help and they were usually receiving some food or money in return. Yunus offered them a small loan to be invested in their daily activity and in doing so, he turned those baggers into door-to-door salesman.

The results were extraordinary: there were more than 100,000 baggers that joined the program and thanks to that the 25% is not a bagger anymore[6].

Beside some famous examples like the one abovementioned, social innovation is becoming more and more a collective activity rather than an individual one, that involves both innovators and end-users in order to truly reach that common good, that would benefit the society as a whole (Guida & Maiolini, 2014). Therefore, reducing the field of social innovation to the individual sphere is not enough to explain the boundaries of this phenomenon.

After individuals and groups, movements as well are key drivers of the social innovation process (Mulgan, et al., 2007, p. 15-17).

The main movements that trigged social innovations both in public and private sector are environmentalism and feminism. Thanks to the environmentalists, separate collection is now a common practice among western countries and renewable energies are becoming more and more a feasible alternative (Mulgan, et al., 2007, p. 15-17).

A famous example of institution born form the environmentalism movement is Greenpeace, which aims at creating "a greener and more peaceful world"[7].

On the other hand, thanks to the feminists, women now have the right to vote, abortion rights, maternity leave, childcare assistance, etc. (Mulgan, et al., 2007, p. 15-17).

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[6] TEDxTalks. (2012). *A history of microfinance | Muhammad Yunus | TEDxVienna*. Retrieved from
https://www.youtube.com/watch?v=6UCuWxWiMaQ

[7] Greenpeace. (s.d.). Retrived from Our Values:
https://www.greenpeace.org/international/explore/about/

The idea that stands behind every movement is that people joint together (not a single hero or the government) can generate social impact and improve the overall society (Mulgan, et al., 2007, p. 16).

Beside single individuals and movements, most of the innovations nowadays takes part within organizations. In fact, not just not-for-profit organizations can adopt social innovation: the boundaries of this concept need to be flexible and to involve also firms that want to be sustainable in economic terms.

In fact, social activities do not regard just charities; but they are attracting also the world of large for-profit firms, that, beside the positive effect on society, associate important business opportunities with the social commitment (Beal, et al., 2017, p.1). In particular, different business benefits have been identified (Beal, et al., 2017, p.2):

- *Learning and Innovation:* Engaging in social activities allows the corporation to approach new business models and interact with different players. This results in boosting innovation and acquiring new knowledge and skills in the field that can become a source of competitive advantage for the firm.

- *Retention and Recruitment:* Being involved in social activities results also in an optimal motivator for employees, who can feel part of something that goes beyond the boundaries of their workplace and makes the difference. Moreover, it has been proved to be a driver for application of young talents; therefore, it is again a source of competitive advantage also from a labor point of view.

- *Reputation and Brand:* Brand perception and reputation are now key elements for the success of the business because consumers are becoming more conscious of their purchasing choices. Social activities attract positive feedbacks because users associate with the brand a close connection to the people and their needs.

- *New Markets:* The participation to social activities opens connections to new markets for the core business that were not possible otherwise, thanks to the connections between public and social sector.

Hence, for the reasons mentioned above, for-profit enterprises are including social impact on their values and are promoting different initiatives aimed at solving societal challenges.

1.2.2. The social enterprise

In the middle between not-for-profit and for-profit businesses, there is the world of *social enterprises*, that are organizations that adopt an entrepreneurial approach to social activities in order to be sustainable also from an economic point of view.

It is a new way to think about the concept of social organization, that historically is associated with charities, that are supported by external actors like foundations or governments and do not purse any market related activities because it goes "against" their philanthropic purposes.

This new model of organization shows that exists an alternative to the classic idea of no-profit business, which converges both the social and the economic sphere. In fact, associating the "charitable status" to every social organization is wrong, because not all the social enterprises are charities by definition.

Social enterprises can be identified as "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners" (Defourny & Nyssens, 2009, p.10). This definition does not mean that the business should be necessarily not-for-profit, but it claims that the maximization of the profit should not be the ultimate aim, which is instead that is the wellbeing of the community.

It is important to specify that regarding the definition of social enterprise, there are still some differences between US and Europe, due mainly to historical reasons. The US social enterprise depends on the market and it is considered as the same level as a normal business; while the European social enterprise is still associated to the concept of not-for-profit firm in some legislations. However, recent European policies have enlarged the concept towards a definition that is more coherent with the US one (Defourny & Nyssens, 2009, p.17-18).

Looking at the framework proposed by Professor Krige, there is a continuum on which poles there are for-profit and not-for-profit firms respectivelly[8].

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[8] TEDxTalks. (2016). *The future is social entrepreneurship | Kerryn Krige | TEDxJohannesburgSalon*. Retrieved from https://www.youtube.com/watch?v=mx9MEuxoWn0&t=582s

Image 2: Framework Social Enterprise (Krige, 2016)

For-profit firms create economic value, which is determined by *profit*. On the other hand, not-for-profits create social value that is measured by *benevolance*, which is "the deliberation of goodwill". Social enterprises stand just in the middle of this continuum and do not belong completely to one faction nore the other.

Having said so, many social enterprises are still struggling to become economically sustainable because they fail to abandon their "charitable status" and to rethink their business model using an entrepreneurial approach. Despite this initial difficulty, this kind of enterprises can actually enjoy some the benefits of "being in the middle" between charities and for-profit firms, for instance in term of tax reductions (Chell, 2007, p.7-8).

To sum up, there are two new major protagonists of social innovation: *for-profit firms*, that are becoming more 'altruistic' by looking at new ways to be involved in social and ethical activities; and *social enterprises,* that can be seen as charities that have become more 'selfish' on the other side, in order to be sustainable in the long run and to reach their ultimate social mission. Both types of businesses have shown to be beneficial to the society as a whole, because they result in more investments in social innovations.

Despite different actors involved in the social innovation process, the truth is that the most successful innovations come from the collaboration of two or more entities that share different capabilities and know how to make the business successful. For instance, the small social enterprise contributes with creativity and flexibility, while the large firm provides the right amount of resources useful for the implementation (Mulgan, et al., 2007, p. 20).

After describing which are the main actors involved in social innovation, it is relevant to study how ideas are generated in this context and how they become successful.

1.3. Social innovation Process

Creativity doesn't have to be conceived just as the classic lightbulb moment, where a single person come up with a disruptive idea (Mulgan, 2006, p.150-151). In fact, it can take different forms, it can be the result of single or group activity and it is usually developed through a series of trials and errors. Especially if a firm has a regular need to innovate in order to experience a constant grow, creativity needs to be included in a systematic process within firm's operational activities.

Different theories have been developed during the last decades addressing this problem, but they mainly regard the business innovation field and not the social one.

However, since the two concepts present a major difference in term of value creation, because one aims at achieving economic value, and the other's final aim is social, it is important to study them separately (Mulgan, 2006, p.157-160).

The scarcity of extended body of knowledge in the field results in a lack of successful practices that shows that social innovation needs still to be better understood in order to be formally incorporated within firm's operational activities (Mulgan, 2006, p.157-160). One attempt was made by Mulgan (2006), who tried to define the three steps of the *social innovation process,* that will be presented below.

1.3.1. 1$_{st}$ step: Developing innovative ideas starting from the recognition of unmet needs

The first step is the *recognition of unmet needs*, which are not always easy to identify (Mulgan, 2006, p.150). In fact, it is not sufficient to ask people what they need, because this would exclude a broader range of alternatives. As Henry Ford once said, "If I'd asked my customers what they wanted, they'd have said 'a faster horse'". Innovation is about creating something able to satisfy new needs that haven't been met yet.

In the case of social innovation, needs derive from global issues that affect the society as a whole and their recognition becomes even more challenging.

There are some huge issues that everyone is conscious about and other that create discontent in our society in a more invisible way. The ability of social innovators is the one of identifying them, when others can't. The key is to involve people who carried those particular unmet needs (Mulgan, 2006, p.150). In fact, to recognize them it is useful to perform ethnographic researches on the field, by observing actual behaviors of individuals and studying them within their social context. This would let the researcher

not only recognize the unmet needs but also understand what the true meaning behind them is (Backman & Barry, 2007, p.29-30).

This practice is mainly promoted by the theory of Design Thinking, which "addresses the needs of the people who will consume a product or service and the infrastructure that enables it" (Brown & Wyatt, 2010, p.32).

Social innovators are applying design thinking techniques to social issues, undertaking a bottom up approach rather than relying on the classic top-down system.

The first phase of the process, that Design Thinkers call *the inspiration phase*, is particularly important because the designer can reframe the social problem towards more useful ones by getting insights from the users (Brown & Wyatt, 2010, p.32-33).

A clear example of problem reframing was performed by a team of students from Berkeley University, who were looking for new ways to improve a nail polish packaging. To do so, they tried to get some insights directly from the market. Studying the habits and behaviors of consumers, the team recognized a bigger need: people were looking for a new type of nail polish that would change color according to the occasion, mood, period of the day. This is how the idea of *E-Nails* was born, fake nails that can change color simply by pushing a button of remote control, like changing channel on TV (Brown & Wyatt, 2010, p.39-40).

In this case, from the initial intention to just make small improvements on the packaging, the team was actually able to create a completely new product that was meeting a particular unmet need identified among consumers.

This initial phase of the innovation process is characterized by a high level of uncertainty and for this reason, it is important to adopt a flexible approach and to do not stick with the first idea or the first problem.

1.3.2. 2*nd* Step: Testing the idea through prototyping and pilots

To turn ideas into feasible actions is useful to perform some market analyses to predict future scenarios. However, recently this theoretical approach has been in part substituted with a more practical one, by performing prototypes and tests as quickly as possible to see directly on the field what has to be modified. Moreover, prototyping has proved to be also a huge motivator for the continuity of a project, because people can see the final results of their efforts without waiting until the very end (Mulgan, 2006, p.152).

Speed in this phase is the key especially in the field of social innovations where the investors are usually more difficult to find. The importance of speed is connected with the theory of Agile organization. The Agile methods were born in response to the Waterfall model, according to which to proceed to the next step of a process, specific requirements should be met, and inevitably this creates never-ending processes and a lot of bureaucracy. In the case of stable environments, this model works, but when it comes to uncertain contexts, the organization needs to move quickly, and to do so it has to adopt an *agile approach* (Rigby, et. al 2016).

The Agile manifesto presents a series of principles the firm should follow in order to embrace the agile methodology. Among them, the most interesting for our analysis is "working prototypes over excess documentation", that underlines the effects prototyping has on motivation and focus on the relationship with the users. In fact, by presenting a prototype, the client is more encouraged to express his concerns and feedbacks rather than looking at abstract ideas of the product or service. This allows the firm to be more customer-centric and find better solutions to those unmet needs identified on the previous step. Lastly, prototyping and testing have proved to help the management of conflicts within teams (Rigby, et. al 2016).

Hence, making the process faster and more flexible is the key to success, especially in unstable environments.

Different courses have been developed to promote approaches that allow fast prototyping and testing such as the one of the engineering faculty at the Massey University of Auckland. Their innovative approach brought in just three months to the development of the innovative *Glucofridge*.

Students started by recognizing a common problem among people suffering from diabetes: "where can I refrigerate my insulin when I am travelling?" (Diegel, et. al. 2006, p. 350-353).

Then, they considered all the solutions already available on the market, such as ice packs and FRIO wallets; but they all presented some fallacies. After exhaustive analyses on the field, they come up with the idea of *Glucofridge*: the smallest fridge ever made, powered by electricity or batteries, that you can bring with you everywhere because it fits a jacket pocket. It keeps the insulin at the proper temperature without the risk of crystallization, that can happen instead with the use of ice packs (Diegel, et. al. 2006, p. 350-353).
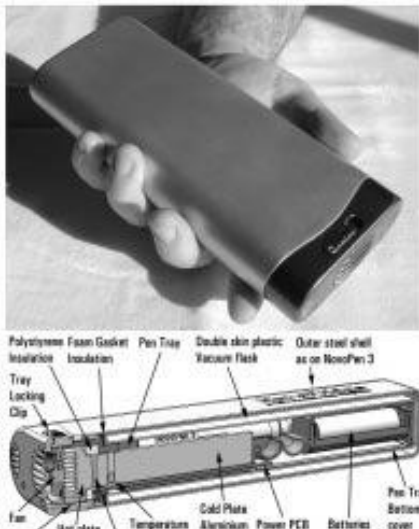

Image 3: Glucofridge (2006)

Looking at the design process for the development of *Glucofridge*, it is clear that the prototyping phase was essential, with a series of trials and errors that brought to the final result. Time was a crucial factor for the whole project; in fact, in just one-week, students were able to develop the initial design concept and select the materials, that were "thermoelectric coolers" called Paltrier devices, mainly used for camping fridges (Diegel, et. al. 2006, p.354).

After a rapid period of analyses, a 3D prototype was created in just 54 hours. This first test allowed the acknowledgement that it was not possible to reach the proper temperature without the supplement of an extra fan and the fact that the battery life lasted shorter than expected, 6 hours instead of 12. They solved these problems respectively by adding an extra fan and by building a system that could slow the warming process of the fridge once the power was switched off. In this way, they extended the time the fridge could stay cold without being recharged. The whole redesigning process took around three weeks, and the second prototype was directly subjected to a focus group in order to get insights from the users. This brought to some small adjustments to the design that were easy to solve. Within less than 3 months, *Glucofridge* was ready for the market (Diegel, et. al. 2006, p.355-356).

From this case, I can derive some interesting considerations. First of all, the iterative nature of the design process allowed students to stay always motivated because every small change was bringing a feasible improvement to reach the final result. Plus, they realized that the process was not just about following steps, but sometimes it required to go forward and backward in order to adapt to the unstable environment. Finally, they

understood the importance of time looking at the costs of a traditional design method: the major factor of expenses was in fact the time spent, and by reducing it drastically, they were able to cut many operational costs (Diegel, et. al. 2006, p.357).

This example is useful to understand the importance of the prototyping and testing phase, that allows designers to improve quality, by getting closer to users' needs, and at the same time, cutting costs for the firm.

1.3.3. 3rd Step: Implementing the idea by finding the appropriate external support

The final step is turning the invention into the innovation and to do so the context in which the idea is inserted plays a crucial role. In fact, the success or failure of an idea depends not only on the idea itself, but also on the support provided by the external environment. What usually happens is that highly innovative start-ups are englobed by big firms that have the structure to support and diffuse the innovation.

Here it is important to underline once again the difference between business and social innovation. In the first case, venture capitalists are the main supporters, which are relatively easy to find; while in the second case, most of the help come from the government and foundations, which are more difficult to find and more risk adverse. In fact, government is usually reluctant in promoting social innovations that are too radical and prefer focusing its efforts on incremental innovations to reduce the risks of failure. For this reason, social innovation is more likely to develop in countries where governments are more willing to invest in innovation funds, where there is an open market and companies are interconnected (Mulgan, 2006, p.155-157).

The European Union itself includes several bodies whose aim is to encourage social innovation. These include the European Regional Development Fund (ERDF) and the European Social Fund (ESF) (BEPA, 2014, p. 38).

An innovative solution sponsored by the ERDF is the I-Cane system, a "tactile human centered interface", that helps blind and visually impaired people to walk around safely, avoiding dangerous situations. The I-Cane foundation was born in 2004 in the province of Limburg (NL), and thanks to the contribution of the EU funds (€346,400) in 2008 was able to successfully launch the product on the market (BEPA, 2014, p. 43).

This case is just one of the several examples of cooperation between public bodies and start-ups to provide highly innovative products and services that leave relevant social impact on societies.

This final phase sets future directories for the new business and it is important to have proper skills and knowledge to let it growth. In fact, entrepreneurs that were essential in the first part of the process, after the lunching period, start to look for experts outside the firm that would better manage this new phase of the process. In this sense, differentiation and specialization of labor are crucial for the success of fast-growing firms (Mulgan, 2006, p.153-154).

Looking at the costs related to this phase, they are both external, connected with the preparation of a proper environment able to support the cause, and internal, combining a good team of different skills and competences (Mulgan, 2006, p.154).

To sum up, these are three general steps that describe the complex process of social innovation. It is clear that the relationship with the external environment is central for the success of the social enterprise. In fact, the context in which the firm operates offer a series of opportunities and threats that should be taken into account and it is important to stay flexible and always prompt to change.

After this overview around the concept of social innovation, it is important to connect it with the role of the social entrepreneur, who is the one that is able to recognize a particular problem in the society and the ways in order to address it.

The next chapter talks about the topic of social entrepreneurship, indicating the main challenges and opportunities that can arise when opening a new social venture.

CHAPTER 2. THE ROLE OF SOCIAL ENTREPRENEUR

This chapter provides an overview about the role of the entrepreneur within the context of social enterprises.

First, I will discuss the relationship between social innovation and entrepreneurship, starting from a more general framework.

Then, some requirements will be presented related to the creation of a new venture, that can be applied to every business, both within the for-profit and no-profit sector. In particular, I will focus on the importance of adopting a systematic approach towards innovation and on the connection between entrepreneurship and management.

From this general framework, I will then shift towards the specific case of social enterprises, by presenting the main steps an entrepreneur should follow in order to set up a social venture.

Finally, there will be a focus on the importance of working in teams to run the business more efficiently.

2.1. Entrepreneurship for Socia call all alll Change

2.1.1. Innovation and Entrepreneurship

It is not possible to talk about innovation without mentioning the role of the entrepreneur. In order to investigate the relationship between these two concepts, it is important to better clarify what entrepreneurship means.

During the 19th century, the term "entrepreneur" was already in use, but it was mainly associated with the role of the owner of the enterprise or the manager. It is thanks to Joseph Schumpeter, the social scientist who contributed more than anyone to the field of entrepreneurship, that the definition of entrepreneur started to be strictly connected with the concept of innovation and change, diverging in this way from the previous ones (Langlois, 2002, p. 16). According to Schumpeter, "everyone is an entrepreneur only when he actually carries out *new combinations* and loses that character as soon as he has built up his business, when he settles down to running it as other people run their business" (Schumpeter, 1934, p. 78). Here the distinction between entrepreneurial and managerial function appears very clear. In particular, entrepreneur's role is to "to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an

untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on" (Schumpeter, 1942). From this description, it is possible to detach a first distinction between product innovation (new commodity) and process innovation ("new way").

In his works, Schumpeter distinguishes up to five types of innovations, namely the introduction "a new good", "a new method of production", "a new market", "a new source of supply" and "a new organization of any industry" (Schumpeter 1934, p. 66). Despite this classification, the most important distinction remains between product and process innovation (Fagerberg, 2003, p.4). A classic example of process innovation is the one of McDonald's, where the product itself was nothing new, but the innovation in the process, by standardizing the offering and focusing on customers' value, created a real change in the restaurant sector and in general in the way people go out to eat.

In the first part of his work, Schumpeter identified some characteristics that an entrepreneur should have. First of all, he/she should be aware of the fact that working with innovation means dealing with uncertainty and that he/she will always face some risks during the process. Secondly, since it is impossible to have all the information required, he/she should rely on intuition, described as "the capacity of seeing thing in a way which afterwards proves to be true". Lastly, he/she should question the status quo by always looking for new solutions for improvement, in order to break the typical inertia that afflicts the society (Schumpeter, 1934, p.84-87).

This first idealization of the entrepreneur derived from the context where Schumpeter was studying. His points of reference were British SMEs of the end of the 19th century, where innovation was coming mainly from the abilities of individual entrepreneurs, due to the small size of the firms and the limited resources (Fagerberg, 2003, p.9-10).

During the 20th century, Schumpeter moved to US to study the development of the large corporations. Here, his work changed direction, introducing the concept of "cooperative entrepreneurship". In fact, in the new context, large US firms were dealing with innovation in a systematic way, by appointing an entire department for it, which was the R&D. Thanks to this new configuration, Schumpeter changed his view regarding entrepreneurship, associating it to a team activity rather than individual one and considering it as part of a systematic process rather than something that occurs occasionally (Fagerberg, 2003, p.9-10).

As he describes, " technological progress is increasingly becoming the business of teams of trained specialists who turn out what is required and make it work in predictable ways. The romance of earlier commercial adventure is rapidly wearing away, because so many things can be strictly calculated that had of old to be visualized in a flash of genius" (Schumpeter 1942, p. 132).

In reality, the two versions do not contradict each other because the temporal contexts in which they were inserted presented some clear differences that inevitably would have brought to diverse conclusions.

In general, entrepreneurship can take many forms: can derive from the effort of a single person or a group, can occur occasionally or be formally incorporated within the organizational activities. The key is being open to change and always questioning the current situation. In this sense, the entrepreneur's role is the one of disrupting the market equilibria and finding new opportunities that could allow the continuous growth of the business (Drucker, 1985, p.19).

Going back to the relationship between the two concepts, innovation results as "the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service" (Drucker, 1985, p.19). Hence, the connection between the two concepts is pretty clear: innovation is the mean that entrepreneurs use to create change. After providing this general framework, we can look at the case of social innovation and analyze the role of the entrepreneur in this specific situation.

2.1.2. Social Entrepreneurship

First of all, it is important to differentiate technical and social innovation. As we understood, innovation is a tool that bring changes. When it comes to social innovation, this change does not aim at creating economic value, but social one, improving the wellbeing of the entire society.

In the case of technical innovation, the effects are mainly measured in term of profits, while the scale of measure of social innovation is completely different because it regards the changes in the society. If successful, the effects of a social innovation can drastically overcome technical's ones, because the whole society can benefit from them (Drucker, 1985, p.31).

However, the nature of a social innovation is not always easy to recognize because most of the time the achievements it creates are so well-spread that are taken for granted. Think about the invention of the modern hospital, which took place during the Enlightenment period. It was the result of a social innovation that promoted the idea that everyone should have the right to healthcare, also the poor classes. (Drucker, 1985, p.31). Another less obvious example of social innovation can be found in Japan in the 19th century. The Japanese government understood the pressure that was coming from the western countries and to avoid the inescapable "westernization" that were experiencing other Asian countries, it decided to autonomously start to imitate western institutions and technologies, adapting them with the Japanese culture. In this way, they were able to preserve their own traditions and local institutions (Drucker, 1985, p.32-33).

These two examples provide a picture on how extended the boundaries of social innovation can be, and how difficult it is to measure its effects.

According to this view, the role of entrepreneurs becomes even more challenging. In fact, their job goes beyond cutting the edge of technology with a new product or process but is based on "an essential commitment of the people for whom the change seeks to contribute" (Dawson & Daniel, 2010, p.7, 16). In this case, I refer to a specific type of entrepreneur: the social entrepreneur.

Schumpeter was the first to recognize the social function of the entrepreneur, who does not focus just on profits but aims at towing the society. As he describes "economically and sociologically, directly and indirectly, the bourgeoisie therefore depends on the entrepreneur and, as a class, lives and dies with him, though a more or less prolonged transitional stage" (Schumpeter, 1942, p.134).

The idea behind is that social entrepreneurs are not moved by profit reasons, but their ultimate aim is to make life easier for people by solving societal problems. This seems to be the 21st century main trend shared among the most successful entrepreneurs of the time[9].

One of the most famous social entrepreneurs of 21st century is Scott Harrison.

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[9] Levene, A. (n.d.). *Beyond Disruption: The Age of the Impact Entrepreneur*. Retrieved from wired.com: https://www.wired.com/insights/2014/10/the-age-of-the-impact-entrepreneur/

Coming from a career of event organizer for famous New York night clubs, in the summer of 2004, he decided to revolutionize his life by sailing for a humanitarian mission to Liberia, Africa.

He volunteered as a photographer for a hospital ship, that provided professional healthcare for free to locals with serious medical conditions. His main role was to take pictures of before and after the surgery in order to document the progresses the hospital was making.

Image 4: Scott Harrison

By living there, he realized that locals were becoming sick also due to the water crisis that was affecting the country. People were obliged to drink and wash on dirty water, which eventually was one of the major causes of their sickness. Harrison realized that getting to the root of the problem was more important that curing the symptoms afterwards.

Going back home, he started to learn about diseases related to bad water and realized that, with appropriate expertise and machineries, it would have not been so hard to bring clean water everywhere[10].

With this in mind, he founded *Charity: Water*, a charity that operates all around the world to provide clean water to communities.

By now, more than 38 thousand water projects have been carried out and 9.6 million people have been saved from water crisis[11].

Besides these huge results, what it is remarkable is Harrison's entrepreneurial spirit, who was able to revolutionize the world of charities with a successful business model.

At the beginning, as many other social entrepreneurs, Harrison had to face the problem of funding. He started to talk with people to get insights and he realized that there was a huge problem of mistrust related to charities because many of them were not too honest about the destination of their donations and they didn't provide enough feedbacks about the achievements obtained. So, he asked himself how to get that trust back.

From there he developed the project "Reinvented Charity", a modern reinterpretation of the classical idea of charity thanks to some major changes:

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[10] INBOUND. (2018). *Scott Harrison | INBOUND 2018 Keynote.* Retrieved from Youtube: https://www.youtube.com/watch?time_continue=13&v=V4E1t2yIZlc

[11] Charity: Water. (n.d.). *Charity:Water.* Retrieved from https://www.charitywater.org

- Donation strategy: 100% of public donations destined exclusively to the water projects, while all the operational costs were covered by private funding.

- Tracking: Clear records of money tracks using GPS devices so that donators can look where their contributions really go to.

- Branding: Strong branding and communication strategy to deliver the social message to the public in a proper manner and express the charity's competitive advantage.

- Involvement of local partners: training of local workers, so that they can have the skills and resources to provide water to their villages by themselves, and in this way, taking the credits.

- Feedback: provision of specific updates to donators about the results of their social impact.

However, in such an uncertain environment, entrepreneurs can never let the grass grow under their feet. After two years, the company was again facing a budget situation and a fast solution was necessary. The account of public donations was full of money; but they lacked the resources to sponsor all the payrolls and wages. Harrison could have borrowed part of the money from the donations' account, but that would have damaged the entire charity's image forever. After a few months, he finally found a new investor, who believed in the initiative and in this way, they were able to solve all the debts.

Now many venture capitalists and celebrities are funding Charity: Water, by making the business model working properly10.

This story is a successful example of social entrepreneurship. Beside the philanthropic purposes, Harrison's social impact goes beyond the direct contribution of solving the problem of water crisis. He developed a new model of charity, which was able to regain the trust that this institution had lost during the past decades.

To do so, he adopted a typical entrepreneurial approach to business, stressing around the importance of having a clear business model, focusing on the marketing and communication strategy and being users-centric by collecting insights directly from the people.

This example can be considered another prove that to be sustainable social enterprises should be more involved in the economic aspects of the business, without forgetting of course their philanthropic purposes.

To support social entrepreneurs, new kinds of start-up incubators are born. Historically, the role of incubator is the one providing the start-up with the right resources to be successful. These resources can vary from office spaces, network, assistance, capital and so on. In the case of social innovation, we talk about "social incubators".

The main difference between these and standard incubators regards shared values and objectives. In fact, while the firsts aim at achieving social value, the seconds cover the role of helping the business to grow faster and to achieve its goals, which are mainly driven by profit (Nicolopoulou & al., 2015, p.2-4).

In practical terms, this difference results in the use of more "socialized models" in the case of social incubators, by preferring activities like networking, that can be very useful for the development of a social enterprise (Nicolopoulou & al., 2015, p.10).

Often incubators organize courses for start-ups in order to develop particular skills and competences that might help their businesses to grow faster. Among them, soft skills are becoming very popular, and they differ significantly in the case of social or technological innovation. Taking the example of leadership skills, in the case of social enterprise, a proper leader should adopt a "visionary" approach, by providing a clear perspective of the business and which are its main social values, in order to keep everyone motivated and on the same page. On the other hand, for technical innovation, other type of leadership styles might be more appropriate (Nicolopoulou & al., 2015, p.12).

Due to the lack of resources in the public sector, the private sector is taking care of many social incubators activities, reducing in this way the burden of the government in term of social actions (Nicolopoulou & al., 2015, p.3).

In Italy, there are many incubators that focus, among other topics, on social impact and offer support to start-ups, coaching activities and several networking opportunities.

Examples of Italian social incubators are *Social Fare (Turin),* that works both with national and international social start-ups, *Get it! (Milan)* that focus on social, cultural and environmental impact at national level, and the reality of the *Impact Hub* (Milan and Bari), that offers also co-working spaces and coaching activities. In particular, this last one is part of a global network of social entrepreneurs, called precisely Impact Hub, and its offices are spread all around the world, from Italy to the Philippines, from Colombia to Switzerland (Rus, 2018). On their manifesto, they refer to the UN sustainability goals, and

their aim is to "create a thriving innovation ecosystem where people collaborate across organizations, cultures and generations to solve the grand challenges of our time"[12].

After providing a clear image of what is a social entrepreneur, it is interesting to study how he/she operates and what are the main challenges he/she has to face to set up a social enterprise.

Before looking at what are the main steps to follow, the next section will focus on some general requirements that pertain to any new venture. These rules address different steps of the process and it is important to follow them strictly and to respect the timing.

2.2. The Creation of a New Venture

The set-up of a new venture requires many challenges related to both the success of the idea itself and to the ongoing survival of the newborn business, especially in the case of social enterprises.

The general requirements presented below regard any type of new venture and entrepreneurs should pay close attention to them before digging into new projects.

2.2.1. Systematic Innovation Approach

The very first phase of the innovation process starts with the identification of an opportunity to change the way things are. It does not have to be conceived as something that occurs accidentally on entrepreneurs' mind, as the classic "light bulb moment". On the other hand, entrepreneurs have to be trained to adopt a *systematic innovation* approach, which can be defined as "the purposeful and organized search for changes and in the systematic analysis of the opportunities such changes might offer for economic or social innovation" (Drucker, 1985, p.35). Hence, the innovation process is not something intuitive or casual, but the result of a clear intention of the entrepreneur to have an impact on the society. This process is based on specific techniques that can be adopted, which have the aim of spotting opportunities for change from the internal and/or external environment.

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12 Impact Hub. (n.d.). *We are a community of creators*. Retrieved from Imapact Hub Zurich:
https://zurich.impacthub.ch/mission/

But how is it possible to recognize innovative opportunities? They can arise from many sources, both related to the internal or external environment (Drucker, 1985, p.35):

Internal environment

1) *The unexpected opportunity*: it can be an unplanned success or failure, or an unexpected event coming from the outside.

2) *The incongruity opportunity*: when the innovator is able to identify a "discrepancy between what is and what everybody assumes it to be".

3) *The process need opportunity:* when the innovator is able to recognize a fallacy of the process, which slow the whole procedure.

4) *Changes in industry structure or market structure that catch everyone unawares*: when an innovator is able to respond quickly to changes in the structure even if the environment is stable.

External environment

1) *Demographics (population changes):* when a change in the population's configuration occurs. It can be a change in term of size, age structure, employment level, income, etc…

2) *Changes in perception mood and meaning:* when an innovator is able to spot changes on consumers preferences and to find solutions to satisfy their new needs.

3) *New knowledge, both scientific and nonscientific:* when an innovator acquires a new knowledge and it creates something new with it. This can be applied also to social innovation.

Of course, these sources are not always easy to recognize distinctively and usually innovation comes from a combination of different areas.

2.2.2. Entrepreneurial Management

After the business is set up, the new venture has to organized itself in order to be sustainable in the long run. Without a proper management of its activities, it will fail in the short period. Hence, the main challenge at this point is how to add "management" to what at first is just the result of entrepreneurial activities.

On the other hand, the established firm usually suffers the opposite problem, that is how adopt an entrepreneurial approach in a business dominated by "management" (Drucker,

1985, p.188). For the long-term growth of a business, the best solution is a combination of both entrepreneurial and managerial activities.

Back to the new venture, to be properly managed it needs to establish the market in which it will operate, the financial foresights, a top management team and the role of the entrepreneur (Drucker, 1985, p.189).

The market

It is important to decide in advance the target market that will be served and the purpose of the business otherwise competitors might take advantage of an idea and be more successful. This is especially true when the new venture is offering something completely new that necessitates the creation of a new market. However, it is not possible to implement a simple market research for a market that does not even exist yet. What the entrepreneur can do is making assumptions about possible consumers that will buy his/her product or service and how his/her solution can simplify their lives. Even if it is just a theoretical target market, it is important to establish it in advance to avoid that some followers might take it away (Drucker, 1985, p.189-193).

To do so, first of all it is important to deal with uncertainty, by carefully analyzing unexpected events that could arise. For instance, unimaginable end-users that we were not considering at first. This action does not require high investments, but customer orientation and a systematic approach.

A bias that can occur in this phase is to do not listen to what the market really wants because we believe too much in an idea and we are reluctant about changing it. However, "businesses are paid to satisfy customers" and to do so, "they need to focus on them" (Drucker, 1985, p.189-193).

The financial foresight

After establishing the market where the business will operate, another priority that the new venture has to set is the financial focus, especially if it is growing fast.

A common error that usually new ventures commit is the one on focusing too much on profits and paying less attention to cash flows, capital and controls. However, a solid new venture is the one that is based on different "financial feeding" and not just on profits. Research shows that lack of financial management is a common reason for the failure of

new businesses, hence is very important to include these considerations in the project (Drucker, 1985, p.193-197).

Regarding cash flow forecasting, it is always useful to be as prudent as possible by making assumptions that reflect the worst-case scenarios. Therefore, it is recommendable to plan cash flows one year earlier in order to do not hurry and going into a "cash crisis".

As the business grows, it needs to change its capital structure to support larger amount of money and to avoid that other external investors could take the control over the venture.

Finally, the control system needs to be updated according to the business size, especially in term of product or service quality, receivables, inventory and manufacturing costs. The whole process does not require much effort but this function needs be integrated within the business to work properly (Drucker, 1985, p.193-197).

Top management team

After few years from the formation of the venture, a new issue, connected with the lack of management, can arise and that is the lack of a top management team.

Its formation is a long process and requires the willingness of the founders to delegate part of their activities to others. Without an organized top management team, the founders will find themselves too overload with work and they will be forced to ask for help to people that are not trained to do their job. Hence, it is important to create a team of top managers in advance (Drucker, 1985, p.197-201).

To do so, first of all, it's important to identify which are the key activities. The next step is associating each activity with the person who can better perform it. Later, key goals and objectives are established for every function.

In this way, the top management team is already formed in an unformal way. It is better to wait before formalizing the whole thing and in the meantime, people can learn their job and most importantly how to work in a group (Drucker, 1985, p.197-201).

This process requires the ability of the founder to trust and delegate work to other people, so they can learn their job and substitute him/her in that particular activity.

Role of the entrepreneur

After the founder has created a top management team and all the work has been properly assigned, he/she will question himself about his/her role within the organization. Many

entrepreneurs after delegating the job did not take the CEO position, but they rather selected the position within the firm they like the most, being this within the R&D, or the H&R or the customer services. There are also examples of founders that actually completely left the firm to someone else to start new businesses (Drucker, 1985, p.201-206).

To sum up, managerial activities should be carried out already at the beginning of a new venture in order to make the business prosper and survive in the long run.

As mentioned before, these rules are valid both for not-for-profit and for-profit businesses and should not be underestimated. The next section focuses on the particular case of social entrepreneurs, presenting the main steps to set up a social enterprise.

2.3. How to Set Up a Social Enterprise

In the previous chapter, we have described the concept of social innovation and illustrated the three steps of the social innovation process. However, once the innovative idea is established, the process is far from being completed.

Below are presented the main steps an entrepreneur should follow in order to set up his/her social enterprise[13]. Skipping one of this point might comprise the success of the entire business, no matter how good the innovative idea is.

2.3.1. Steps to set up a social enterprise

1) Mission

In the case of social enterprises, the decision regarding the social purpose of the business is a central issue because represents the main competitive advantage of the firm. In fact, a clear social mission can differentiate the business from any other social enterprise and from for-profit organizations[13].

The mission statement is usually associated to a *vision*, which is the ideal scenario the company aims to achieve, and *values*, which are the main principles the business is based upon, such as diversity, transparency, work ethics, etc. [13].

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[13] Social Enterprise UK. (2017). *Start Your Social Enterprise - The Social Enterprise Guide.* Social Enterprise UK. Retrived from https://www.socialenterprise.org.uk/looking-to-start-a-social-enterprise/start-your-social-enterprise/

The mission should be enough concrete and achievable, otherwise it will sound too visionary. When writing the mission statement, a good advice is to focus on a specific geographic location or on a particular group of people.

At the beginning of a new venture, the presence of a social mission might not be so essential; however, the sooner is defined the better, because it becomes a crucial aspect, especially to communicate your business idea to the outside[13]. A good example of social mission is TED's one, the not-for-profit organization that organizes conferences all over the world regarding many different disciplines. The mission is simple and clear and states "Spread Ideas". Their main objective is in fact "to make great ideas accessible and spark conversation"[14].

2) Market

As already introduced in the previous section, before diving into a project is important to have a clear overview of the market. In practical terms, it means to identify the group of end-users to target and the presence of competitors[13].

Regarding other businesses in the market, they should not be considered just as competitors; but they can also be seen as useful partners to collaborate with. The ideal partner is the one that is able to compensate your lack of skills and knowledge in a particular area, such as commercial function or marketing[13].

Having a clear idea of what the others are doing is useful to understand how original my idea is and how I can differentiate my offer[13].

As mentioned in the previous chapter, social enterprises are not charities and they look for an economic return from their activities. Hence, it is important to establish who will be willing to purchase the product or service the business is offering.

The target market can be composed by just one group of consumers or several. At Furniture Recycling CIC, a social enterprise that provides recycled furniture for offices, they have different types of end-users: first of all, entities that are willing to pay for getting rid of their old furniture; then councils, housing associations and people willing to rebuy the furniture[13].

A bias that occurs during this phase is thinking that since there is a social issue involved, people will be more willing to pay. However, social enterprises usually deal with less well-

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[14] TED. (n.d.). *About - Our Organization*. Retrieved from https://www.ted.com/about/our-organization

off people, who are more careful about the way they spend their money, and the social entrepreneur needs to take this factor into consideration[13].

3) Money

Social enterprises purse economic value so that they can invest it in their social purposes. That's what differentiate them from normal businesses and what makes them survive in the long run, without being completely dependent from external financial support, like charities. Having said that, these enterprises need a proper financial system that supports their purposes [13].

I already mentioned the importance of financial foresight in the previous section, but the case of social enterprises is a bit more complicated. There are different institutions that help social enterprises with economic support and they usually do not look just for an economic return, but they want to have a positive social impact [13]. The two major types of social investments are[15]:

- Social enterprise that borrows money from external investors.
- Social enterprise that sells a share of its profits to external investors.

Examples of social investors are the *NatWest Social & Community Capital* in the UK and *Banca Prossima* in Italy.

NatWest Social & Community Capital

This program of loans, that can go from £30,000 to £750,000, is promoted by a charity connected with NatWest bank. It targets not-for-profit organizations and social enterprises that are ready to grow and develop their social business, but they cannot find supports from mainstream banks. It offers tailored solutions to UK enterprises that want to have a positive impact on the community[16].

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[15]   Good   Finance.   (2018).   *What   is   social   investment?*   Retrived   from https://www.youtube.com/watch?v=rUrKGENE9ME

[16] NatWest. (n.d.). *Community Business Loans*. Retrieved from NatWest:
https://www.business.natwest.com/business/social-community-capital/community-business-loan.html

Banca Prossima

Banca Prossima is the bank within the Intesa SanPaolo Group that offers support for non-profit organizations. In 2011, the bank launched a crowdfunding platform called "Terzo Valore", literally "third value", that allows both private individuals and organizations to support social projects coming from the bank[17]. People can contribute with simple donations or through community loans. For each project is shown the target amount to be reached and expiration date, together with more information about the initiative [18].

A recent project that reached the target result before its end was "La fame non va in vacanza", that means "hunger doesn't take holidays", promoted by Banca Prossima together with Banco Alimentare. This initiative aimed at collecting and redistributing rescue food to poor people around Italy, that in the last decade have reached 8.5% of the national population[19].

4) Social Impact

Social impact is the change in the society the business aims to achieve with its contribution. The social entrepreneur is usually able to identify this change easily, but when it comes to communicate it to the outside, the task becomes more challenging. For this reason, it is important to measure and describe the change in term of numbers[13]. A good lesson here comes from Sported, a charity that sees in sport the perfect tool for the development of communities. Just looking at homepage of their website, their social impact is showed clearly through the accomplishments they have already made. They were able to define their impact in different terms: number of member groups created, number of volunteers who joined the initiatives, number of young people reached and also number of activities offered. To offer a clearer idea of the results, they also have a special section within their website that shows through graphs and explanations how they were able to measure their social impact[20]

[17] Intesa San Paolo. (2019). *Sostegno al Terzo Settore*. Retrieved from group.intesasanpaolo.com: https://www.group.intesasanpaolo.com/scriptIsir0/si09/sostenibilita/ita_sostegno_terzo_settore.jsp#/sostenibilita/ita_sostegno_terzo_settore.jsp

[18] Intesa San Paolo. (n.d.). *For Funding*. Retrieved from forfunding.intesasanpaolo.com: https://www.forfunding.intesasanpaolo.com/DonationPlatform-ISP/

[19] Intesa San Paolo. (n.d.). *La Fame non va in Vancanza*. Retrieved from forfunding.intesasanpaolo.com: https://www.forfunding.intesasanpaolo.com/DonationPlatform-ISP/nav/progetto/id/2240

[20] Sported. (n.d.). *Measuring Our Impact*. Retrieved from sported.org.uk: https://sported.org.uk/our-impact/measuring-our-impact/

Image 5: Sported Social Impact (last updated July 2019)

Therefore, in a society where data dominate every sector, the use of numbers becomes crucial also for the philanthropic and social sphere. Social enterprises have to get use to this type of approach in order to communicate easily their achievements and to better monitor their progresses.

5) People

Once the business starts to grow it is important to hire the right people to do the job. After establishing administrative activities, the business should focus on the recruiting of specialized staff. Since the social enterprise at the beginning is quite small, it should find people who are able to do different things and not too specialized in one task. It is better if they have different backgrounds and capabilities so that they can contribute in different ways to the business. The aim is to find a balance between different skills and knowledge so that the company is able to cover all the key functions of the business [13].

Some enterprises also have a board of directors that set the long-term objectives of the business and its governance. Corporate governance can be defined as "the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community)"[21].

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[21] Business Dictionary. (n.d.). *Corporate Governance*. Retrieved from
http://www.businessdictionary.com/definition/corporate-governance.html

In recent years, also the world of social enterprises has understood the importance of having a clear governance. At the Big Society Capital, a company that connects social investors with social enterprises, they have appointed a Board of Director in charge of the treasury and the long-term orientation of the company. Having a clear governance proved to have a positive effect on the eyes of the external investors, increasing the possibility to get funding [22].

Social Enterprise Boards should not be confused with the classic charity boards, because they differ drastically by being more risk seeking and by adopting an entrepreneurial approach[22].

6) Sales, Marketing & Branding

Once the entity's main characteristics are established, it's time to communicate them to the outside. In order to do so, first of all is important to define the unique selling proposition (USP), that is a statement that explains in what your offering differs from the others, why consumers should choose you [13].

There might not just be one type of audience and, for this reason, it is important to customize the message according to whom it is addressed to. Related to this topic, there is also the choice of a proper communication channel, which is a key decision to make [13].

To reach the target audience successfully, it is useful to build a strong brand identity and reputation. Branding strategy regards all the series of practices aimed at positioning the business in a particular location in the mind of the costumer, so that he/she can perceive it as unique. These practices include the choice of a name, a logo, a payoff, a packaging; but also, the decision for a mission, a vision and values that are consistent with the true essence of the brand.

Connected with the branding, the company should also develop a proper communication strategy, able to the deliver the right message to the right people using the right communication channels [13].

A famous campaign connected with social impact is "Don't buy this jacket", that was implemented by the fashion brand Patagonia[23].

[22] O'Sullivan, J. (2015). *Changing the World of Social Enterprise Governance.* Retrived from Huffington Post: https://www.huffingtonpost.co.uk/june-osullivan-mbe/social-enterprise_b_8138446.html?guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvb

[23] Patagonia. (2011). *Don't Buy This Jacket, Black Friday and the New York Times.* Retrieved from patagonia.com: https://www.patagonia.com/blog/2011/11/dont-buy-this-jacket-black-friday-and-the-new-york-times/

Exactly the day of the Black Friday of 2011, they posted this ad on the New York Times, exhorting customers to be more cautious about their purchasing choices in order to reduce consumerism.

Image 6: Patagonia's "Don't buy this Jacket" campaign

At first, this choice might sound completely counter-productive, especially in such an important date for the whole fashion industry. However, looking at Patagonia's social mission, the ad could not be more spot-on. They claim that "we're in business to save our home planet"[24], hence Patagonia's ideal users are the ones that buy clothes just when they really need them.

This choice was part of a clear brand strategy, that enabled Patagonia to reinforce its position in the mind of the consumer, as a brand that is unique and cares about the environment and that does not aim at running after possible buyers whenever it had the chance, but it wants to express its own identity.

7) Legal Structure

The classic legal structure for a new social enterprise is a "sole trader" or a "unincorporated".

However, when the business is growing fast, the legal structure needs to be adjusted accordingly.

Of course, on this area, each country has its own regulations and types. For simplicity, we will focus on the UK legal system[13]:

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[24] Patagonia. (n.d.). *Patagonia's Mission Statement*. Retrieved from patagonia.com:
https://www.patagonia.com/company-info.html

- CLG: company limited by guarantee. It does not have shareholders, just members who cannot get profits from the company.

- CIC: community interest company. This is a relatively new structure created specifically for social enterprises and it is based on the fact that all the assets of the company are used for the community.

- Registered charities: They are monitored by the Charity Commission and by voluntary trustees and the registration process is quite long, but they get benefits in term of reduction of tax burden and they also attract more social investors.

- Co-operatives: it is still the most used structure among social enterprises. The most common type of cooperative is the CBS, community benefit society, which includes its social objectives on its corporate governance.

Hence, it is clear that there is not a unique legal structure for social enterprises and the entrepreneur has to choose the one that better fits his/her needs and objectives[13].

8) Business Plan

A business plan is "a document that serves as organization's roadmap and tells readers why money needed to implement the plan will be spent" (Valentin, 2014, p. 6).

There are different types of business plan according to the purpose. In the case of a new venture, we talk about "new venture startup plans", that "chart courses of action for businesses not yet lunched and explain attendant strategies and business models" (Valentin, 2014, p. 6-10).

Evidences show that the presence of a business plan is the key for the future success of the business for a series of reasons, including the establishment of a clear direction, the analysis of the market, the connection with stakeholders, and so on (Conway, 2008, p.58).

As social enterprises are mainly of small or medium size, they usually start to think about a proper business plan when they have to look for funds from external investors, whose main requirement is precisely the presentation of a written plan (Conway, 2008, p.58). However, this plan should be done as soon as possible to have a concrete overview of the opportunities and treats of the environment and not just when the business is searching for external funding.

Since resources for a new social enterprise are more difficult to obtained compared to any other start-up, planning in advance is crucial. To manage this challenge is important to rely on professionals, who know how to move around the business world and to shift

towards a "market orientation" approach. Moreover, banks and other institutions are always very careful not to sponsor social projects with "not-too-solid" balance sheet, hence the business plan needs to be as good as possible (Conway, 2008, p.59).

For new ventures, business plan doesn't have to be too specific and long winded (no more than 4 pages). In general, a good social business plan should include:

- Information about the organization, such as mission, vision, structure, governance, etc.
- Organizational strategy, goals and objectives
- Portfolio of products or services and activities
- Description of the target market and of the main competitors
- Description of the social impact and how to measure it
- Internal management of the organization i.e. production, sales and marketing, etc.
- Information about financial forecasting, budgeting

It is important to underline that business plan should be conceived as flexible and it is important to update it progressively as the business grows[13].

These are the major steps to create a social enterprise. Of course, this is just a checklist that may help social entrepreneurs to run their businesses, but it needs to be adapted to the case by case basis.

In general, this list proposes a good overview of the most common challenges that a social entrepreneur can encounter and ways to solve them. The major trend identified is the one of paying small attention to the formalization and standardization of the process, when the business is still small and young. However, this is a mistake and entrepreneurs should try to formalize the process from the start, while maintaining a good level of flexibility.

2.3.2. The importance of teamwork

Until now, I have always referred to the entrepreneur as just one person; however, more often new ventures are the result of more heads working together: this configuration takes the name of *work team*. A work team can be defined as "a group that generates positive synergy through coordinated effort". This means that the outcome of a team is greater than outcome derived from the sum of each member's individual effort. This is mainly due to the share of different knowledge and skills among team members and to the mutual accountability of responsibilities (Robbins & Judge , 2012, p. 341-359).

In literature, we find different theories related to the formation of an effective team. It is important to underline the fact that it does not exist the optimal team, but this is adjusted according to the purpose of the business (Robbins & Judge , 2012, p. 341-359).

In general, the size of an effective team is usually small (no more than 10 people) and diversity among members (in terms of background, culture, gender, age, etc.) contributes positively to the team's performances (Robbins & Judge , 2012, p. 341-359).

It is also important to have all the members truly committed to the final scope, by sharing the same values and norms and trusting each other (Robbins & Judge , 2012, p. 341-359).

Finally, the reward system should reflect the contribution to each member to the team in order to improve the overall group outcome (Robbins & Judge , 2012, p. 341-359).

CHAPTER 3. THE PROBLEM OF FOOD WASTE

Social innovation is now spread at global level and affects many different sectors and industries.

For the purpose of this thesis, I decided to focus on the problem of food waste and its impact on both the environmental and societal sphere.

To have a clear understanding of the problem, it is important to learn how the Food & Beverage sector works and which are the main actors involved. For this reason, this chapter starts with a general overview of the sector, providing a comprehensive description of the food value chain.

Then, the following section will focus on how food companies are trying to be more innovative in order to get a competitive advantage over the others. Connected with the concept of innovation, I will present the most common intellectual property rights for this type of sector: the trade secrets. Then, there will be focus on sustainable practices adopted across the whole food value chain.

After that, I will shift towards the core of this chapter which is the problem of food waste by investigating it in depth. At the end, some examples of social enterprises dealing with this global issue will be provided.

3.1. Food & Beverage Sector

Food & Beverage sector is one of the most remunerative sectors with sales over 4 trillion US dollars (Arcese, et al., 2015, p. 8068-8069).

In the European Union, "the F&B industry represents the main manufacturing sector, with an annual turnover of over 1 trillion euros and a value added of 230 billion euros" (Food Drink Europe, 2019).

The employment level in this industry presents a constant increase since 2015, even if it is still above the manufacturing industry in term of growth. European exports sales have reached €27.8 billion and the products that generate the highest revenues are preserved meats and meats products, followed by dairy goods (Food Drink Europe, 2019).

In general, despite the recent economic crisis, this sector was one of the most stable from 2008 to 2013 topped only by the pharmaceutical industry (Arcese, et al., 2015, p. 8068-8069).

At macro level, the main challenge this industry has to face regards its ability to feed the global population, which is growing constantly, and it is expected to reach 10 billion people by the end of the century. To solve this problem, more and more land is now turning into agriculture and there is an intense exploitation of the ground, which creates some doubts regarding the sustainability of the whole process (Deloitte, 2013, p.1-2).

3.1.1. Food Value Chain

Food industry is very heterogeneous because it covers different activities from agriculture, to production, from retail to customer service. For this reason, it involves a variety of different actors, who are strictly interrelated and participate to the *food value chain*. However, especially in Europe, most of these partners are SMEs that do not have proper resources to compete at global level (Arcese, et al., 2015, p. 8068-8069).

To have a clearer idea on how the food value chain works, it is useful to look at the framework proposed by Deloitte (Deloitte, 2013, p.3).

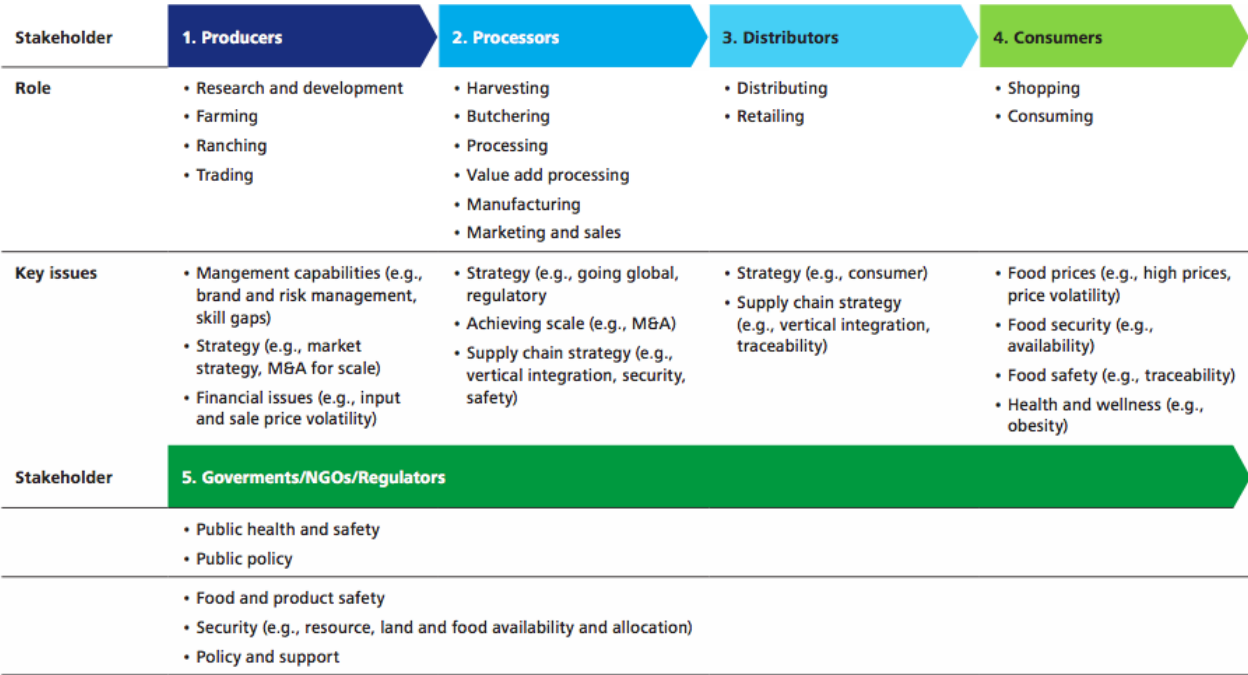| Stakeholder	1. Producers	2. Processors	3. Distributors	4. Consumers
Role	• Research and development • Farming • Ranching • Trading	• Harvesting • Butchering • Processing • Value add processing • Manufacturing • Marketing and sales	• Distributing • Retailing	• Shopping • Consuming
Key issues	• Mangement capabilities (e.g., brand and risk management, skill gaps) • Strategy (e.g., market strategy, M&A for scale) • Financial issues (e.g., input and sale price volatility)	• Strategy (e.g., going global, regulatory) • Achieving scale (e.g., M&A) • Supply chain strategy (e.g., vertical integration, security, safety)	• Strategy (e.g., consumer) • Supply chain strategy (e.g., vertical integration, traceability)	• Food prices (e.g., high prices, price volatility) • Food security (e.g., availability) • Food safety (e.g., traceability) • Health and wellness (e.g., obesity)
Stakeholder	5. Goverments/NGOs/Regulators			
	• Public health and safety • Public policy			
	• Food and product safety • Security (e.g., resource, land and food availability and allocation) • Policy and support			

Image 7: Food value chain (Deloitte, 2013)

Here five main categories of stakeholders are presented (producers, processors, distributors, consumers and regulators) and there are some key issues associated to each category.

By being all part of the same network, they share some rules and behaviors related to food safety and quality control. Moreover, they interact with each other transferring useful knowledge that can take different forms, such as information about customers or operational best practices (Deloitte, 2013, p.3).

Let's now analyze in depth each individual contribution to the chain and the main challenges associated to each category.

Producers

They include all the firms that "research, grow and trade food commodities"; hence, it mainly consists of activities related to farming, but also R&D, ranching and trading. Currently, producers from basically every food category are experiencing lower yields and high production costs, that in turn result in higher prices for final consumers due to the inflation.

As mentioned before, food industry is characterized mainly by several small and medium firms and few big players. This is particularly visible in the case of producers that, due to their typical small size, do not have the resources to be competitive and this results in an overall lack of efficiency. A solution suggested regards the collaboration among different producers, that could help them both in term of economy of scale and production efficiency (Deloitte, 2013, p.4).

This is how Italian food consortia usually operate, by grouping together several small Italian producers of the same food category and by trying to spot opportunities outside their local market. The collaboration among members helps to increase the overall efficiency and ensure compliance with specific quality standards.

An example is the consortium for the Prosecco D.O.C., which promotes different activities aimed at expanding the market for small Italian winemakers, such as through the participation to events all over the world[25].

Another challenge for producers is market volatility, so it is important to plan way in advance possible risks related to the availability of the inputs (Deloitte, 2013, p.4).

Connected with risk management, there is the matter of the working capital, in fact farmers have started to worry about how to sponsor their operational activities. Since

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[25] Prosecco Doc. (s.d.). *Events*. Retrived from prosecco.wine: https://www.prosecco.wine/en/events

food production is subjected to so many risks, many of them are investing on land property to get guaranteed revenues to rely on.

Last but not least, innovation has become a priority also for producers. It can be implemented by finding new ways to connect farmers with the end users in order to become more customer centric and satisfying their needs (Deloitte, 2013, p.5).

Processors

They can be associated in a broader sense to the category of producers, but specifically they are the ones "involved in both the preparation of fresh foods for market as well as the production of prepared food products" (Deloitte, 2013, p.5).

As producers, also this category needs to innovate constantly in order to meet the growing demand for food. To do so, they need to implement strict collaborations both with who comes before (upstream) and with who comes after (downstream) (Deloitte, 2013, p.5-6).

However, in contrast with producers, processors are mainly large corporations. Recent trends regard the implementation of global mergers and acquisitions in order to expand the boundaries of their markets towards developing countries.

Moreover, in order to meet customer demand and be complaint with the regulations, processors are also working more than ever as a glue across the whole food value chain (Deloitte, 2013, p.5-6).

Another challenge related to this category regards product quality and safety. To ensure quality standards, processors are investing on "product labelling, traceability and supply chain transparency". They also have the task to share the importance of product safety with the other members of the supply chain (Deloitte, 2013, p.5-6).

Looking at their impact on the environment, processors have to deal with energy efficiency and waste management. In fact, they are often targeted by environmental NGOs for their negative contribution in term of gas footprint and waste (over 30% just for processing activities).

An interesting chart shows differences in term of waste for developing and developed countries in percentage across the whole food supply chain (Deloitte, 2013, p.7).

Planted crop

26-40% — Pre-harvest losses

Ready to harvest crop

Havrvesting and processing losses — 12-21%

Raw material

10-50% — Secondary processing losses — 1-10%

Processed food

Retail losses — 2-26%

Food at consumer

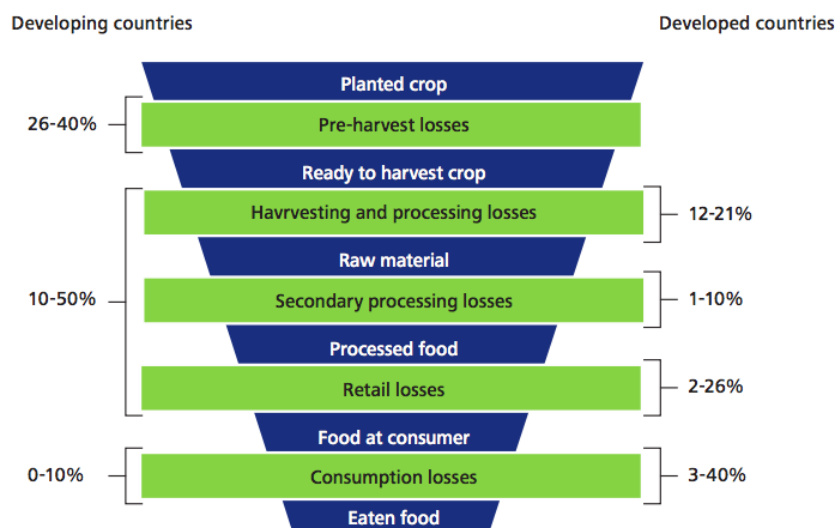0-10% — Consumption losses — 3-40%

Eaten food

Image 8: Waste along the food value chain (Deloitte, 2013)

As we can see, the distribution of waste along the chain is very different if we compare the two groups. In the case of developing countries, the highest concentration of waste occurs in the first steps of the process, mainly during the production. On the other hand, the largest contribution to waste in developed countries is associated to the consumption phase (Deloitte, 2013, p.7). This is a really interesting analysis because it shows how both groups should learn from each other on how to reduce waste.

Retailers and Distributors

This category includes all the actors that "market and sell food". Retailers' industry is highly competitive, and businesses are always trying to find new ways to get a competitive advantage over the others (Deloitte, 2013, p.7-8).

When it comes to food, quality is a key factor to be considered. In recent years, the quality level demanded by consumers has increased thanks to the share of information, which has made the end user more and more competent in the subject. In fact, consumers have now on their hands enough information to determine if a food product is good or not; hence, quality strongly affects the final purchasing decision.

In response, retailers are trying to meet quality standards and even going beyond. Crucial in this step is the communication with the final users, that focuses on some keywords, which make the business seems more sustainable and consumer centric (i.e. "green", "organic", etc.) (Deloitte, 2013, p.7-8).

The high competition determines the rise of new formats and retail channels. Convenience stores are becoming more and more successful, reflecting the fact that beside quality, price also plays a central role in consumers' choices.

To be competitive, retailers have to invest in term of differentiation of the offer and customization of the whole shopping experience (Deloitte, 2013, p.7-8).

Besides the late arrival compared to fashion or electronics industries, also food products are now available in the e-commerce platforms. This trend is expected to grow during the next decades and retailers need to address this channel properly by implementing innovative solutions to increase online sales. This requires a strict collaboration with the other actors of the food value chain to deliver food at home that is fast and fresh (Deloitte, 2013, p.7-8).

Last but not less important, it is the role of packaging. Retailers understood the huge importance of the packaging and how this affects consumers behaviors. For this reason, they adopted new techniques aimed at adding extra value to the product thanks to the packaging. These include the *active packaging*, that is a container that covers other functions that go beyond the mere casing of the product, such as a system within the fish packaging that reduces the smell of fish. Another technique is *smart tag*, that takes track of the lifetime of a product and shows the level of quality and freshness (Deloitte, 2013, p.9).

Consumers

They are the ones that "shop, purchase and consume food" (Deloitte, 2013, p.3).

Consumers have developed many concerns related to food consumption. Thinking about developed countries, these worries regard mainly food quality and prices, because the availability of food is already "taken for granted". However, looking at food consumption in undeveloped and developing countries, food security represents still one of the major concerns both in terms of availability and affordability of the products (Deloitte, 2013, p.9-10).

Due to the expected increase in population, with the related increase in demand for food, there will be less availability of resources. This will result in an overall increase of prices, which will affect the consumption choices. This trend has already started, and consumers are becoming more responsible in their consumption choices by moderating their overall food expenses (Deloitte, 2013, p.9-10).

Another challenge related to consumption is the increasing risk of obesity and diabetes that now is extending also to the emerging markets such as China, whose population is spending more money on food and modifying its food consumption habits. As a response, also in these countries a new market for healthy food alternatives is arising, as happened in the developed world (Deloitte, 2013, p.9-10).

Finally, as consumers are becoming more competent, they demand more transparency from the whole food supply chain. They want to know specific ingredients and values of the products, they are concerned about where the food comes from and they do not turn a blind eye around unsustainable practices (Deloitte, 2013, p.9-10).

Regulators

Due to the main changes related in the food industry, also regulatory bodies are modifying their polices in order to result in a stronger presence within the food value chain.

With the word "regulators" is intended "governments, non-governmental organizations (NGOs) and regulators that monitor and regulate the entire food value chain from producer to consumer"; hence, it is a very broad category of actors (Deloitte, 2013, p.3).

In this context, the first challenge regulators have to face is monitoring the relationship among nations. In particular, emerging markets are a more popular target among businesses because of their low policy standards and tax burden, resulting in this way in lower costs. For this reason, it is not unusual to hear about dislocation of plants from EU or US to underdeveloped countries. This creates a gap between emerging and developed markets and policy makers have the role to find a balance between these different systems (Deloitte, 2013, p.11-14).

Another challenge is food safety and does not regard just poor countries. In fact, food-borne illnesses are spread at the global level and it is responsibility of regulators to offer proper support (Deloitte, 2013, p.11-14).

There are different institutions in charge of food safety: in US, the Animal and Plant Health Inspection Service ensures that food is free from any pests or possible diseases; in Europe, there is the EFSA (European Food and Safety Authority) that supports the European Union with scientific evidences in matter of food safety in order to take better decisions (Deloitte, 2013, p.11-14).

On the other hand, China lacks the same infrastructures, and this causes a higher probability of food contamination and food-related illnesses. This situation is even worse

if we look at other developing and underdeveloped countries. To solve this issue, it is necessary a strict collaboration between public and private sector and among countries in order to meet the standards required. Moreover, there should be more support towards small and medium producers that are usually the ones struggling the most (Deloitte, 2013, p.11-14).

Land acquisition is another topic institution need to address. In fact, the growing demand requires continuous new land converted into agriculture and this process needs to be regulated, otherwise unstainable practices can overcome and create real damages for the environment. This is especially true in the case of developing countries like India and Brazil, that have a lot of available hectares, but not strong regulation policies behind that can avoid misuse of the land (Deloitte, 2013, p.11-14).

This is a clear overview of the composition of the food supply chain and shows how the different members interact with each other.

The next section covers the role of innovation within the F&B sector, by identifying the main obstacles this industry has to face and by proposing some possible solutions.

3.1.2 Innovation in the Food & Beverage Sector

Innovation is usually associated with the high-tech industry, while it is less common to associate this concept with the F&B sector. However, changes in the external environment, with the introduction of digitalization and changes in consumer behavior, made it clear that also this sector needs to innovate in order to keep up with the times (Bresciani, 2017, p.2290-2291).

Some improvements have already been made over the past years, regarding for instance the world of haute cuisine, which is becoming more and more innovative, but in general the food industry is still too conservative and it focuses too much on cutting costs rather than encountering consumer needs (Bigliardi & Galati, 2013, p. 16-17). This inevitably slows down the innovation process and hiders important opportunities.

In particular, the F&B sector is facing 3 main challenges (Arcese, et al., 2015, p. 8070):

- *Lack of fast response to new scenarios:* Despite this sector has always been characterized by incremental innovations (Arcese, et al., 2015, p. 8070), evidences show that disruptive innovations, that regard innovative food products, are more successful than the usual line extensions or product's modifications (Bigliardi &

Galati, 2013, p. 16). These types of breakthroughs require higher efforts both in term of creativity and implementation strategies. To do so, it is useful to adopt some open innovation strategies based on collaboration and share of knowledge (Arcese, et al., 2015, p. 8070). This would result in the development of new products and processes that could represent concrete competitive advantage for the firm.

- *High number of isolated SMEs*: As mentioned before, food industry is characterized by many SMEs that even if they are successful in their own market, they lack the knowledge and resources to expand at global level. This issue needs to be addressed by innovative problem solving, opening new opportunities for small and medium firms in order to unlock their full potential. To do so, companies should invest on their food supply chain, by collaborating with internal partners but also looking for external actors, such as universities and research centers (Arcese, et al., 2015, p. 8070). For this reason, it is important to learn how to properly coordinate different partners and integrate activities both inside and outside the firm.

- *Lack of consumer involvement:* F&B sector needs to improve the way it relates to the end users, which are the ultimate beneficiaries of the outcomes of the food value chain. For this reason, it is essential to put them at the center, understanding their needs and wants and observing their changes of behavior. According to this view, users should have the opportunity to cover the role of *co-creators*, meaning that they have to be involved in the innovation process through collaborative network programs (Arcese, et al., 2015, p. 8070).

It is clear that consumers are at the center of this innovation process and to be successful firms need to accurately observe their changes of behavior in order to satisfy their needs. Evidences show that the last important changes in consumer behavior related to food consumption regards the demand for healthier food products and customization of individual preferences (ex. lactose free, gluten free, sugar free products). As a response, firms are implementing more sophisticated marketing researches and they are investing more money on product development (Bigliardi & Galati, 2013, p. 19). This phenomenon is called "chain reversal", because it is not top down process anymore but bottom up, where the end users are the main drivers of innovation (Bigliardi & Galati, 2013, p.17).

In this context, the best solution is adopting a *collaborative approach*, that includes not just the final consumers, but the entire set of external partners involved in the food value chain.

The greater benefit firms can gain thanks to this open approach comes from the *knowledge exchange*, because different actors hold different know-hows and the combination of these tools can lead to positive outcomes.

However, food firms usually have an hard time in working with partners that are not part their sector, because they do not share the same background (Bigliardi & Galati, 2013). Anyway, sharing knowledge with universities for instance, can be beneficial in many ways, from the scientific contribution they can offer, to the actual network opportunities that can arise in view of possible talent acquisitions. Hence, the lack of expertise in the industry is compensated by other types of advantages.
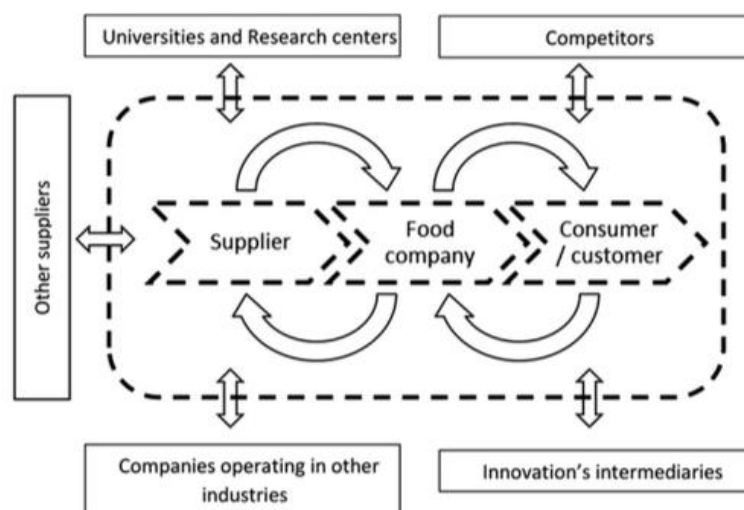
Image 9: Relationships within the Food value chain (Bigliardi & Galati, 2013)

This scheme shows the organization of an "open food supply chain", where inside the hatched rectangular there are the main actors involved (Supplier – Food Company – Consumers), who interact with each other following an iterative process. Outside instead there are all the external actors that participate to the chain and the arrows represents the flow of knowledge (Bigliardi & Galati, 2013, p.22). As we can see, the combination of actors involved is very heterogeneous, and the process is not linear but there is a continuous interaction among different partners.

There are many external figures that interact with the food company, from the direct competitors to universities, but also innovation's intermediaries such as incubators and

companies operating in other industries. They can all contribute to the firm's competitive advantage by brining knowledge and experience on different fields. It is up to the food company to be able to take advantage of this links by being more innovative.

Once the links are established, the firm has to find ways to employ the new knowledge effectively.

Common practices implemented by food firms include engaging consumers in the product development process, employing new technologies to reduce the time to market, developing strong networks, etc.

In this case, innovation is not in the hands of the entrepreneur, nor in the ones of the R&D team: innovation is shared among everyone involved in the process (Bigliardi & Galati, 2013, p.22-23).

A good model that describes the new format of the food industry innovation process is the one proposed by Slowinski (2004), called the "Want, Find, Get, Manage" model (Bigliardi & Galati, 2013, p.22). Want, Find, Get and Manage represent the four steps of the process:

- *Want:* which type of external knowledge the firm wants to acquire
- *Find:* which are the right partners that possess that type of knowledge.
- *Get:* obtain that knowledge, making sure both sides are satisfied in order build a strong tie of relationship.
- *Manage:* coordinating the relationship with the new partner.

This framework has proved to decrease the probability of failure of a project thanks to the collaborative approach. Moreover, this share of knowledge that can be applied also for other types of activities.

To sum up, the importance of a collaborative approach to innovation is becoming crucial for the F&B sector to meet consumers' preferences and develop successful innovations.

3.1.3 Intellectual Property Rights in the Food industry

It is not possible to talk about innovation without mentioning the role of patents and in general of Intellectual Property Rights.

The relationship between patents and innovation has always been broadly discussed by the innovation management literature. It is still not clear if patents have a positive effect on innovation or if they can actually obstacle the success of new inventions. In general,

for what concerns the innovation derived from imitation, patents represent an obstacle since they can block the development of better alternatives.

When is then useful to talk about IPRs? The most direct effect regards certainly the avoidance of duplicates. Plus, the presence of IPRs allows the legal diffusion of the patented information and it encourages innovation on related topics, according the so called "inventing around" approach.

Yet, patent is still perceived as a barrier to the freedom to innovate and, in an era characterized by open innovation practices, based on the sharing of knowledge and the co-creation of innovative solutions, it does not fit very well with the context.

Regarding the F&B sector, a popular type of IPRs are trade secrets that are connected with the recipe of the product sold. They differ from patents because they ensure indefinite protection and they do not require disclosure of the information. Moreover, patents required a long and expensive process to be obtained, while trade secrets are much easier to get. Of course, it is important that the person who is demanding for a trade secret has made "reasonable effort to protect the information". The law provides different standards according to which effort is considered reasonable or not. If the trade secret owner was not careful enough to keep his/her secret, competitors have all the legal rights to "copy" it [26]. The most famous example of use of trade secrets are the Coca Cola recipe and the KFC chicken one.

Even though this might seem enough, protection of an organizational secret is more than just a piece a paper. It requires a lot of work within the organization, especially in the way the managers deal with their employees, which know the secret and cannot share it with the outside. There should be a real trade secret culture, that connects all the employees' objectives with the firm's one, and not just a document of not disclosure to be signed. Moreover, attention should be put on the matter of cyber security, by avoiding the share of secret information online that can be possibly hacked (Halligan & Haas, 2010).

All of this is very important when the business main competitive advantage is based on the products it sells, and it wants to avoid that possible competitors could copy it. However, in the case of social innovation as we have seen, the competitive advantage is based on a combination of the product/service the business is offering and the social

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[26] Morningside Translation. (2018). *Trade Secrets vs Patents: Which Approach is Right for You?* Retrieved from https://www.morningtrans.com/trade-secrets-vs-patents-which-approach-is-right-for-you/

impact it wants to create. This mix is very difficult to be copied; hence the application of any kind of intellectual property right becomes unnecessary.

After connecting the F&B sector with innovation and intellectual property rights, we focus on the relationship between this sector and sustainability, being this a key concept to address in order to introduce the problem of food waste.

3.1.4. Sustainability in the Food & Beverage Sector

Sustainable development can be defined as the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 1897). As mentioned at the beginning of this thesis, the three main pillars of sustainable development are environmental, economic and social sustainability.

Firms have now understood that being unstainable is too risky because of variety of different reasons, such as the growing costs of energy and materials, the increase awareness among consumers, the stricter public policy regulations, and so on.

For this reason, sustainable practices are now integral part of the management of the firm and create value both in economics and non-economics terms (Arcese, et al., 2015).

Within the F&B sector, several sustainable activities have been carried out. Being the food value chain strictly related to the environment (starting from the agriculture), it is crucial to be sustainable in every aspect of the process in order to have a visible positive impact. But sustainability is not just about the environment and has a broader scope, including also social and economic aspects. In fact, looking at the main *sustainability issues* related to the food industry, they include all the stakeholders that are part of the food value chain (Arcese, et al., 2015).

The first issue regards the development of a culture within the firm that meets the *"Social Accountability standards"* (Arcese, et al., 2015). Unfortunately, there is a lack of homogeneity regarding sustainability norms that cannot be applied to everyone due to different national standards. This creates confusion and lack of commitment.

An example of common standard adopted by food enterprises is the SA8000, which requires[27]:

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[27] SAI. (s.d.). *Benefits of SA8000 Certification* . Retrived from sa-intl.org: http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1838

- *Holistic management system to maintain compliance to the Standard*
- *Worker engagement and dialogue*
- *Cross-functional internal collaboration*
- *Collaboration in the supply chain*

As we can see the standards regulates both the relationships with the internal and external partners and it encourage an open culture.

The second main sustainability issue regards the *production process*, that in the case of F&B sector, has a huge impact especially in terms of gas footprints. Reducing the environmental impact of their activities has become one of the main priorities of many food enterprises.

However, even if it is not directly related to the industry's activities, this sector has also a huge impact on *consumption habits* and to be sustainable it is important to take into account also this side of the value chain. In fact, many firms involved in the food industry are now substituting their recipes towards healthier alternatives to avoid risks related to overweight and obesity of their consumers and are keeping prices low to reach also the less-wealthy categories.

Going deeper on the analysis of the sustainability issues connected with the food industry, it is important to focus on the problem of the disposal of food products. In particular, the next section will focus on the concept of food waste and food loss, which are having a huge negative impact on the society. They can be linked to the food sustainability challenges 2 and 3 identified above because they affect both the production and the consumption of food.

3.2. Food Waste: an underestimated global issue

3.2.1. Overview of the problem

This section aims at addressing the problem of food waste and how companies are developing innovative solutions to cope with it.

The problem of food waste is often underestimated but researches show that every year 1.3 billion tons of food is wasted (1/3 of the food produced), and a huge amount comes

from the household consumption. Hence, the main responsible for this situation are not firms or governments, but single consumers, that most of the time are unaware of throwing so much food away[28].

In terms of greenhouse gas footprint, food wastage has an impact comparable to the size of one of the biggest countries, after US and China and before India (FAO, 2015).
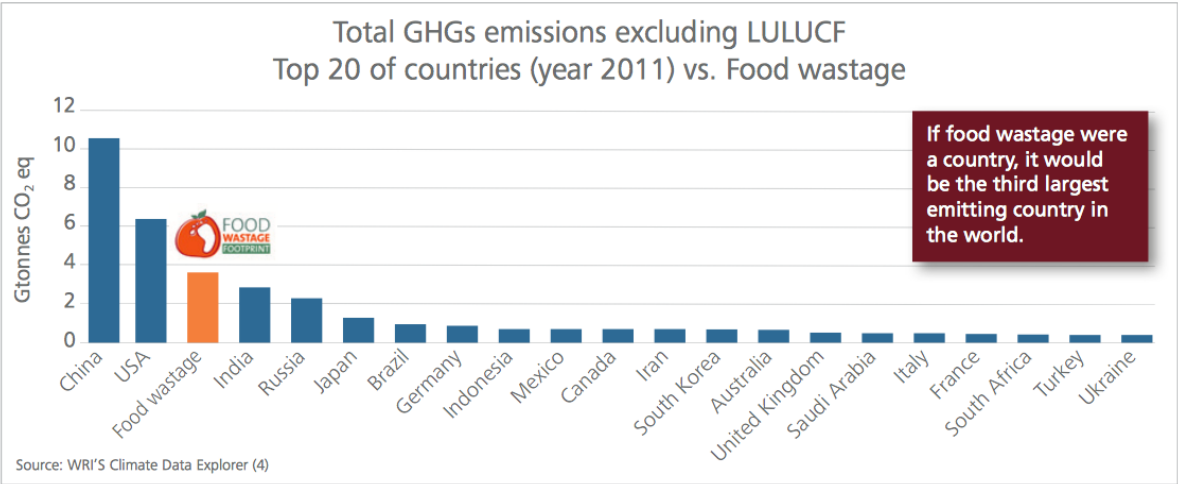

Image 10: Total GHG emissions- Food wastage impact (FAO, 2015)

However, not all the food products have the same impact on the environment. In fact, to calculate the greenhouse gas emissions of a food product, measured in kg of CO2, all phases of the food supply chain are considered, from agriculture to the final waste disposal (FAO, 2013, p.17).

Cereals are the products with the highest impact both in term of carbon footprints and food wastage. The reasons are mainly related to the production phase due to the intense use of fertilizers (FAO, 2013, p. 18).

Fertilizers used for *vegetables* have also an impact on the environment, but the main contribution for this food category is produced by the energy involved in the greenhouses, that has a huge impact in terms of carbon footprint (FAO, 2013, p. 19).

Looking at the *meat products*, there is a big difference between carbon emissions and food wastage. Not surprisingly, due to its precious value, meat is the less wasted product category together with fish. However, considering the carbon emissions, meat has one of

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[28] FAO. (s.d.). *Key facts on food loss and waste you should know!* . Retrieved from fao.org:
http://www.fao.org/save-food/resources/keyfindings/en/

the highest impacts because of all the processes related to the maintenance of the animals such as feeding and housing (different animals contribute in different ways to gas footprint) (FAO, 2013, p. 19).

Finally, food products with the lowest impact on environment are *fisheries*, whose major environmental impact comes from the fuel used by the ships, and *oil crops and pulses*, that derive nitrogen from the air and therefore they do not need many external fertilizers (FAO, 2013, p. 19).

To sum up, food products with the highest carbon footprint are cereals (34%), meat (21%) and vegetables (21%); the ones with the lowest are fish and seafood (5%) and oil crops and pulses (4%) (FAO, 2015).
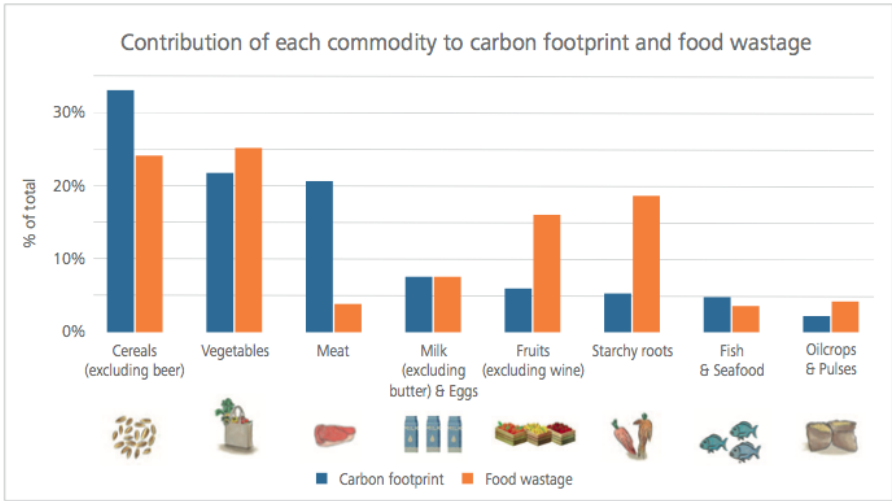
Image 11: Contribution of each food product category to footprint and food wastage (FAO, 2015)

Besides this general overview, food products have different impact according to where they are produced. In fact, cereals have a higher environmental impact in Asia than in Europe, due to the type of cereal cultivated. In fact, in Asia there is a large production of rice, which is one of the food product that causes the largest impact in term of gas footprint (FAO, 2015).

In Europe, bread is for sure one of the most wasted products. According to a study conducted by Wrap, just in the UK, 67,500 tons of bakery products are wasted every year (Smithers, 2019).

Another interesting data to focus the attention to is looking at the most wasteful areas of the world. Here it is important to distinguish the overall impact of the food value chain and the impact related to the consumption behavior. In fact, looking at the overall contribution to food wastage and carbon footprint, Industrialized Asia is at the first place

because of the huge impact coming the rice production mentioned above (FAO, 2013, p. 20).

However, looking at consumption patterns, the situation is quite different as we can see in the following graph. The average food wastage footprint per capita appears to be directly related to the level of income. In fact, people from North America and Oceania are the most wasteful, followed by industrialized Asians and Europeans. The least wasteful are instead people from South Asia and Sub-Saharan Africa.

Image 12: Impact of food consumption on footprints, divided areas of the world (FAO, 2015)

2.2.2. Food Waste and Food Loss

To have a clear idea of the phenomenon of food wastage, it is important to underline the difference between food loss and food waste.

Food loss is defined as "any food that is lost in the supply chain between the producer and the market", while food waste is "the discarding or alternative (non-food) use of food that is safe and nutritious for human consumption"[29]. Therefore, the set of what it is waste does not include inevitable losses that can occur during production, transportation or distribution, but just the misuse of food ready to eat. This makes the previous data even more dangerous because it means that there is a spread negligence among consumers on how to preserve food.

But the problem of food waste does not regard just the environment, in fact, is strictly related to the concept of food security, which is defined as *"Ensuring that all people at all times have both physical and economic access to the basic food that they need"* (FAO, 1983).

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[29] FAO. (n.d.). *Food Loss and Food Waste*. Retrieved from fao.org: http://www.fao.org/food-loss-and-food-waste/en/

With the amount of food that is produced at global level, food security could be ensured to the entire population; however, the problem of malnutrition is still highly widespread, with 820 million people suffering. This issue can be related to the SDG n. 2 (Zero Hunger) identified by UN framework, which was presented at the beginning of this work.

Together with the SDG n. 12 (Ensure sustainable consumption and production pattern), they represent the main sustainability challenges that the fight against food waste aims to address[29].

Beside these two main goals related to food waste, looking at the entire system, there are other sustainability challenges involved, such as the SDG n.1 (No Poverty), which is strictly related to the problem of hunger: reducing food waste will provide better redistribution of resources in favor of the poorest classes (FAO, 2018).

Moreover, a reduction of food loss can have an impact also on the SDG n. 5 (Gender Equality), in fact recent studies have proved that gender relations affect the efficiency of the food value chain. Hence, before proposing an intervention aimed at reducing food loss, it is important to take the socio-cultural context into account and in particular, relationship between men and women. In fact, both genders share different roles within the food value chain, different social norms and different priorities when it comes to work. Ignoring women preferences would be a mistake because they represent the 43% of the total labor force involved in agriculture and for this reason, they can affect the efficiency of an intervention (FAO, 2018).

Think about the Charity: Water example. When Harrison started with his first mission in Africa, he realized that only women were in charge of transporting water, even for hours, from the spring to their villages. Surprisingly, over the years, he understood that this clear division of labor among men and women was applied also in Asia and Latin America[10].

The dried fish value chain in Sierra Leone represents another good example. Both men and women work within this value chain, but they cover completely different roles. While the majority of men is involved in the fishing activity, women are mostly involved in the processing phase. To improve the efficiency of the entire system and reduce losses, it is important to separate these two functions and address them differently according to a "gender-sensitive food loss analysis", that will help to identify both genders' priorities (FAO, 2018).

To sum up, the reduction of food loss and waste does not just aim at reducing hunger (SDG1) and improving consumption and production (SDG 12) but has a broader effect that includes, among other things, the reduction of poverty (SDG1) and of gender inequalities (SDG5).

After mentioning the environmental and societal sphere, it is important to underlie that food waste and food loss affect also the economic sphere. An estimation of the economic loss derived from this phenomenon is around 940 billion dollars per year and the part of land invested on food that is then wasted could be used for other more remunerative purposes (FAO, 2018).

Beside the problems of food waste and loss are still highly underestimated by the majority, there are some initiatives all around the world that aim at solving these issues with proposing innovative ideas. The next section proposes some of the most famous cases studies on the food waste topic in Europe.

3.2.4. Cases Studies

Too Good To Go

This Danish app is now considered the leader of the European start-ups involved in the fight against food waste (Loritz, 2019). It works really simple: subscribers can buy through the app rescued food coming from nearby restaurants and supermarkets for a very convenient prices. The app shows a specific time frame in which you can collect your food box, that changes according to the place you pick (usually during late afternoons because it is when stores know exactly what they have to throw away and what is still salable).

Of course, you don't know in advance what you will get specifically inside the box, you can just know the economic value of your meal (you can however select some food preferences if you want vegan or gluten free options).

Image 13: Too Good To Go System

This method completely revolutionized the whole food industry because is based on the idea that often restaurants and supermarkets have to throw away perfectly edible food in order to meet strict regulations in term of health and safety and because it does not look so good anymore.

But if the consumer is completely aware of the fact that the food is not super fresh and is still willing to consume it for a cheaper price, it is not worth it to throw it away: that's where Too Good to Go has found its target market.

This solution meets the needs of both consumers and businesses. In fact, the firsts have the opportunity to get perfectly edible meals for cheaper deals. The seconds can gain some extra revenues from food that would have otherwise been moved to the trash. Moreover, they also can get some extra visibility thanks to the app. Last but not least, both parties can contribute with a concrete impact to the social cause of reducing food waste (Loritz, 2019).

The app was founded in 2016 and in just 3 years have been very successful by reaching more than 7.5 million users and over 15,000 partners. It is now growing at a fast paced and it was able to save more than 10,000 tons of food and over 20,000 of CO_2 emissions (Loritz, 2019).

Moreover, the app has launched a real movement around the food waste topic, which focuses on 4 main pillars that are: households, businesses, education (schools) and politics[30].

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[30] Too Good To Go. (s.d.). *The Movement Against Food Waste*. Tratto da Too Good To Go: https://toogoodtogo.com/en/movement

Olio

This concept has nothing to do with the Italian word "olio" (oil), but it is intended as a "miscellaneous collection of things"[31]. In fact, this app is based on the work of the community, which has a central role when we talk about social innovation.

With OLIO, people can post pictures of items they want to give away for free (mainly food products but also household appliances, etc.) and look up for potential neighbors. Then, the person interested can just request the item through the app and pick it up at the specified location, meeting directly the owner.

Despite the direct benefit of reducing food waste, OLIO joiners have the opportunity to meet new neighbors and start new friendships.

Beside the app, there is a real movement behind OLIO, in fact people can volunteer in different ways by becoming ambassadors, food waste heroes, city champions or market makers. Olio ambassadors are the ones that promote the app: finding new potentials joiners, distributing flyers, participating to events and so on. Olio food waste heroes are in charge of rescuing unsold food from businesses and redistributing to those interested. City champion have the role of the pioneers who start a new olio community in his/her city and helps the app to expand its market. Finally, the market maker is the one in charge of a specific community, a point of reference for all the volunteers of the area.

At the moment, this app is present just in the UK, but has already accomplished significant results in just a few years with more than 1,000,000 joiners of the community[32].

Spreco come Risorsa

This Italian social enterprise was born after the law adopted in 2016 against food and pharmaceutical waste (Legge Antisprechi" n. 166 – 19 agosto 2016), that aims at reducing the amount of waste and sponsors a more sustainable use of these types of products.

S.c.R. collects uneaten food from supermarkets, restaurants, schools, company canteens, etc. and delivers it to people that are struggling every day with the problem of hunger. What differentiates Spreco come Risorsa from a normal charity is its business model, that allows an economic return, that consists mainly on favorable tax reductions, to those

[31] OLIO. (2019, May). *What does Olio mean?* Retrieved from olioex.com:
https://help.olioex.com/article/136-what-does-olio-mean

[32] OLIO. (n.d.). *What is Olio?* Retrived from olioex.com: https://olioex.com/about/

businesses that decide to join to the program. Hence, it is a full-fledged social enterprise and it operates in some the most important Italian cities like Milan, Rome, Palermo and Bari[33].

In practical terms, S.p.R. offers itself as an intermediary between businesses and not-for-profit associations in charge of the collection of rescue food. Its main function regards the scouting of possible business partners, offering them the means and training required in order to turn them in excellent social entrepreneurs[34].

This example shows how the collaboration between entrepreneurial capabilities and public bodies can create something meaningful and sustainable both from social and economic point of view.

These are just a few of the many initiatives in act to fight food waste and to educate people on how to save more food.

From the current scenario presented, some considerations can be drawn. First of all, significant changes in consumer habits and behaviors are not going unheard and firms are following new trends to meet their needs, even if historically the F&B sector is made of very conservative enterprises, being them mostly SMEs. This shift regards anyone in the industry, small and large enterprises, for-profit and not-for-profit organization.

Besides the overall positive trend of the industry, there are some possible risks connected with its development.

In the relative short term, the continuous increase in competition due to lower entry barriers might eventually lead the market towards a point where it will start to flood. In this sense, food firms should be very cautious in the way they innovate since the food industry, differently from the high tech one, has always been characterized by strong bargaining power of buyers (consumers), that means that they can easily change brands or even products thanks to the low switching costs (Jafari Eskandari, et al., 2015, p. 196). Once again, the focus on the end-users is crucial in order to keep being innovative and competitive.

In the long term, another more threatening risk could affect the entire industry. As already pointed out earlier in this chapter, by the end of the century there will be not enough

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[33] Spreco come Risorsa. (n.d.). *L'Azienda*. Retrieved from https://www.sprecocomerisorsa.it/azienda-spreco-come-risorsa/
[34] Spreco come Risorsa. (n.d.). *Il Network anti-spreco*. Retrieved from https://www.sprecocomerisorsa.it/il-network-spreco-come-risorsa

resources to feed the entire population. At the moment, firms and governments are overcoming this threat by exploiting more lands, but this will eventually stop at some point and more long-lasting solutions need to be found. In this scenario, the role of social enterprises involved in the F&B sector, in particular the ones involved in the fight against food waste, can make a significant difference. In fact, by learning how to waste less, we can save more and, in this way, being sustainable in the long run.

CHAPTER 4. THE CASE OF ZÜRICHIPS

4.1. Introduction/background

The aim of this work was to provide clarity around the concept of social enterprise and to describe the process that brings to the development and the implementation of a social innovative idea.

As identified in the theoretical part, any social enterprise starts with the recognition of a societal problem to be solved. These societal challenges can affect both the environmental, social or economic environment.

For the purpose of this analysis, we decided to focus on the problem of food waste, being this one of the major causes of GHG emissions (8%) and climate change, with a cost that is comparable to the entire UK GDP (around €2 .3 trillion).

Beside its negative effects of the environment, this global issue presents strong repercussions also on the social and economic sphere.

Moreover, food waste does not regard just behaviors of governments or organizations, as in the case of deforestation for instance, but it is strictly related to the household consumption and for this reason, its solution is also connected with an important educational purpose. In fact, by teaching individuals how to waste less food, this issue could be drastically mitigated.

For these reasons, we selected the case of ZüriChips as perfect example of a newborn social enterprise that within less than a year was able to launch a successful product in the market connected with a clear social impact: fighting the problem of food waste.

This case study was built through a qualitative analysis of the data collected. The materials include interviews with the four founders of ZüriChips, press releases, posts on social networks, newsletters, etc.

4.2. Methods

4.2.1. Research Design

The methodology utilized to build this case consists of the use of unstructured interviews headed to the four founders of ZüriChips, namely Moky, Enrico, Paolo and Lucie. The choice of this type of interview is due to the fact that I wanted to identify different the

points of view of the respondents. To do so, it is important to follow the flow of the conversation and to do not stick too much on predefined questions. This approach was useful in order to truly catch respondents' experiences and ways of thinking.

On the other hand, in order to make a comparison among different answers, some questions were the same for everyone, such as:

1) What's your background?
2) What's your main role within the project?
3) What are the plans for the future of ZüriChips?

Table 1 (see Appendix A) shows the list of questions divided for every respondent. Similar questions are highlighted with the same color.

4.2.2. Data Collection

Due to a problem of distance, the interviews were performed online, through Skype, one by one.

They did not take place all at the same time. The conversations with Moky and Enrico occurred on the same day, 14th of June 2019. While the one with Paolo took place on the 29th of July 2019 and finally the interview with Lucie took place on the 16th of September 2019. This transition period was useful to understand the continuous development of the project, which proceeded at fast piece as we will see later on.

Beside these interviews, for the purpose of this qualitative analysis, other types of materials were used. In particular:

1. ZüriChips pitch presentations;
2. Posts on Instagram, Facebook and LinkedIn;
3. ZüriChips website;
4. Press releases;
5. Newsletters;
6. Online articles;
7. Blogs;
8. Video and pictures.

The collection of these documents was simple because they have all been provided directly by the respondents themselves.

4.2.3. Data Analysis

After collecting all the materials relevant for the case, I have screened each document carefully underlining the most important sentences, words, or sections. For each of them, I assigned a code that can be a keyword or a short phrase to recall the main concept., focusing mainly on topics that were redundant on different materials and on feelings and thoughts of the respondents. After that, I selected the most important codes and clustered them into categories.

From this point, I started to look for connections among categories and put them in order to create our case study.

In the results section, the body of findings derived from this analysis will be presented, by describing the team, the idea and the story that brought to the creation of the brand. Then, in the discussion part, I will connect the findings with the theory of the previous chapters.

4.2.4. Limitations

Mainly due to a time constraint, it was not possible to follow the development of the project throughout an entire year. It would have been useful to follow the progresses for a longer period of time in order to provide a complete picture of the achievements obtained and to understand the day-by-day challenges that have raised.

Moreover, it is not possible to ignore the problems connected with the distance. By being in Zurich, it would have been easier to analyze the environment in which ZüriChips operates, interviewing directly consumers and the community around the brand.

However, for the purpose of this analysis, the materials collected represent already a good starting point to work with and thanks to a careful analysis of ZüriChips's social networks, the problem of working with long distances was partially compensated.

Lastly, I am aware of the fact that four interviews are not enough to provide an unbiased version of the story. However, being this a qualitative analysis, the focus is not really on the quantity of data collected, but on the relationships between different information and on what can be deducted from them.

For these reasons, it is not possible to generalize by saying that the journey undertaken by ZüriChips is the one experienced by many social enterprises of the sector (for that a comparison among different case studies is necessary). Nevertheless, this case provides a good example of how the combinations of different capabilities and the motivation to

create something meaningful allowed the creation and development of such a successful social enterprise.

4.3. Results

This section is the core of the case study. I will start by presenting the Colead project, which is the point where everything has started. Then, I will present the team, looking further into the description of each founder. This is useful to understand the different backgrounds and attitudes of each respondent, that mixed together were able to deliver a successful product into the market, quickly and smoothly.

Later, a part will be dedicated just to the chips, relating them to the concept of upcycling. Finally, the process of the development of the idea will be presented, describing precisely every step of the journey in order to do not miss important touchpoints.

4.3.1. Colead Project

This journey starts with the participation of our respondents to the program Colead, promoted by the Zurich's association Stride. Stride is many things: they define themselves as the "unSchool that empowers profound personal and societal transformation". It is part of the community of the Impact Hub of Zurich, which is the link that connected our respondents with the reality of Stride (STRIDE, 2019).

The Colead program serves as incubator for innovative ideas aimed at solving the biggest societal challenges. Crucial aspect of the program is the focus on collaborative entrepreneurship, essential when it comes to social innovation. In fact, all the activities carried out are based on the work in groups and on the development of teamwork capabilities (STRIDE, 2019, p. 2). They believe "collaboration is one of the biggest transformative learning opportunities" (STRIDE, 2019).

Recalling chapter 2, to create an effective team there are different aspects to be considered and it is a task that should not be underestimated. That's why Stride puts so much efforts on teaching its students how to work together and be collaborative.

Beside the positive impact on the society, this program aims also at creating benefits at individual level. In fact, it mainly targets those professionals that are not satisfied with their current job or life in general and are searching for new meanings. Through CoLead,

"you find out what your passions are and what you want to dedicate your career and life towards" (STRIDE, 2019, p. 3).

Stride's approach to work is mostly "learning by doing", therefore the program runs away from the classical university teaching approach and encourages participants to put into practice what they have learned from the very start.

The process to develop an innovative idea follow these steps (STRIDE, 2019, p. 6-7).:

1. *Inspiration and Exploration*: identification of the main societal challenges and start to be familiar with the tools provided by Stride.

2. *Ideation*: identification of a specific problem in the society to pay attention to and think about possible ways to overcome the issue.

3. *Prototyping*: creation of a prototype and testing directly into the market, getting insights from the end-users.

4. *Pitch & Pivot*: presentation of the progresses to a small public. Start to think about the legal and governance matters.

5. *Minimum Viable Product*: creation of a MVP and test into the market. It differs from the prototype because it is already a real product, just with basic features. At this stage, the social venture can be created.

6. *Pitch, Preserve or Flight*: positioning of the product in the market and ideation of mission, vision and values for the new venture.

7. *Disclosure*: Final presentation of the project to the public. Taking care of the missing pieces such as the marketing and communication strategy, funding, etc.

These steps can be associated with the process of social innovation described in chapter 1, but they are more specific.

The journey lasts 8 months, which is not a long period since this program is meant to be part-time, in fact participants usually have at the same time another job. But as we have seen in chapter 2, being fast and prompt to change are the keys to be successful within a dynamic environment.

At the end, it is not mandatory to come up with a concrete idea or new venture. However, the case of ZüriChips is a clear example of the success of this program since, almost one year after its end, the venture is still active and keeps innovating and developing at a fast piece.

After this brief description of the context around ZüriChips, it is time to introduce the team, the product and the development of the idea of the chips.

4.3.2. The team

ZüriChips's team counts now four partners: Lucie, Moky, Enrico and Paolo. They are all CEO (Chips Executive Officer) of the company and they are all engaged 100% on strategic decisions. They all share different backgrounds and origins and that was probably one of the main reasons of their success: combining together different knowledge and capabilities, they were able to cover all the most crucial aspects of setting up a new venture.

In particular, Lucie has a PhD on Food Process Engineering, and she is an expert in the field of sustainability and food value chain. After working for some chocolate start-ups, she decided to join the Colead program to find a job that she could really like.

Her first job regards mentoring start-ups within the F&B sector, by organizing events on hot topics in the fields, such as the one about meat alternatives.

At ZüriChips, she deals with numbers and searches for inefficiencies. She also works on sales, since she likes to get involved directly with clients. Moreover, thanks to her background, she is in charge of food processes.

Moky has a BA on Graphic Design and Advertising and for most of her life she had worked as copywriter both in Italy and the UK until she decided to move to Switzerland. Now she is working full time for Stride.

At ZüriChips, she takes care of the communication part and she is particularly involved in the management of the community. Moreover, she is in charge of the coordination of events and search for new initiatives.

Within the team, Moky is the creative one. She likes working in contact with people and she always adopt a very practical approach (back in Italy she opened a handcraft candle shop where she was the one making the candles).

Beside her professional career, she has always been involved in the social field, in fact she volunteered for different associations working mainly with children.

Enrico comes from an international background in Mechanical Engineering. He has always been interested in the renewable energy sector, but his career brought him to another direction. After some years, he decided to change completely in order to work for something more meaningful and that was how he decided to join Stride. Currently he's working full time for a company that exports knowledge and skills in the start-up field to developing countries.

At ZüriChips, he's mainly in charge of sales and accounting. Moreover, thanks to the connections derived from his first job, he takes care of networking activities.

Finally, Paolo is the last joiner of the group. He participated to the Colead program as the others, but at first, he was inserted in another group. After ZüriChips's first pitch presentation, he really like the idea of the chips and decided to change group.

He has a master's degree in Management and Cultural studies with different touchpoints in Innovation Management. Currently, he is a digital strategist and develops solutions aimed at the promotion of apps and other tools mainly for the financial sector.

Working for years in a highly innovative environment, he started to question himself about the meaning behind all those breakthrough innovations and he decided to join Stride with the idea of employing his competences on something that could have also a positive impact on society.

At ZüriChips, Paolo takes care of pitch presentations and together with Moky he looks after marketing and communication, being an expert of storytelling. He is also particular keen on giving long term directions to the business and developing business model thanks to his background in management.

It is important to underline that despite this formulation of various roles, everyone helps each other with their tasks, as the company is still small and according to the collaborative leadership principles typical of Stride.

4.3.3. The chips

ZüriChips are tasty, crunchy, low fat chips derived from rescued bread.

They come with a precise message that is "fighting food waste", so they do not only taste good but want to make you feel good by contributing to save the world.

It is important to say that this message does not mean to blame anyone in particular, but just to show how easy can be to behave more sustainably and at the same time also having fun. In fact, potato chips themselves are an easy-going food product, that can be shared during aperitifs with friends or at the cinema.

Hence, the message here is that by applying small substitutions to your everyday life you can still have fun and at the same time feeling better about yourself because you are contributing to save the world.

To have a better idea on how it works, we have to look at ZuriChips's supply chain.

Within the chain, they are placed between bakeries' waste products and the garbage, in order to give a second life to these waste materials. Image 14 shows the main actors involved in the process and what links one to one another. Bakeries provides ZüriChips with rescue bread, which is then transformed into chips and sold directly to the customers. In return, they provide two main outcomes: revenues for the enterprise, but also contribution to the cause, affecting directly the problem of climate change.
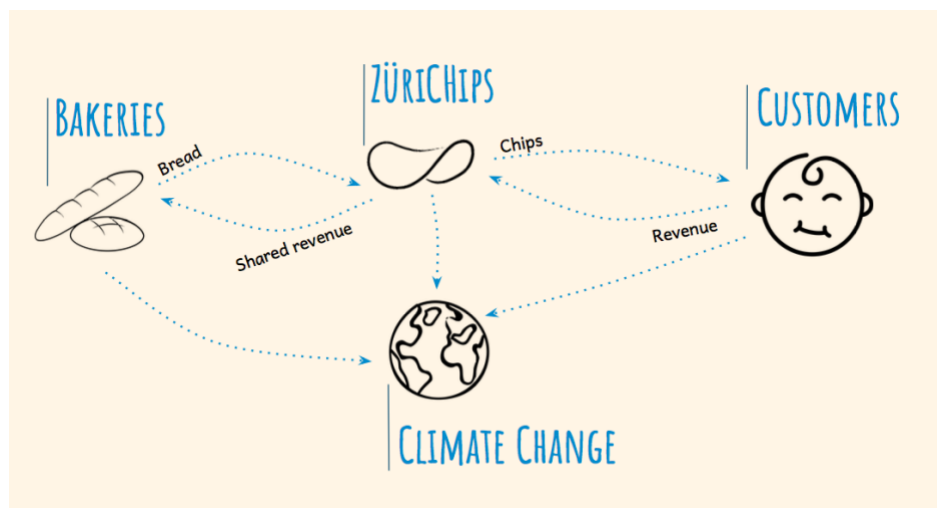

Image 14: ZüriChips's value chain

The idea of the chips derived from rescue bread is based on a concept called *upcycling*. It is "a process in which used materials are converted into something of higher value and/or quality in their second life" (Sung, 2015, p. 28). Essentially, it consists on reinventing the role of a waste material, by associating it with a completely new meaning. This confers to the product usually a higher value than before, and that's why the use of the particle "up". Within the F&B sector, we have several examples of upcycling. One of the most famous regards the packaging of Nutella. The small jar used to be a glass colored with different

fantasies and people used to collect them all for several purposes, like penholders, pots or simply glasses for their cupboard (WIRED, 2018).

Despite this, upcycling does not regard just food products but also fashion, architecture and many other sectors. It also does not regard just the material world; in fact, we have some examples of upcycling within the abstract one as well. Danile Cima, art director, proposed its work "upcycled words", where he reused old headlines and ads' claims to recreate completely new meanings (WIRED, 2018).

In this respect, ZüriChips's team was successful with the process of upcycling since they developed a recipe that is simple to recreate and does not require difficult food transformations. This allowed an easiest connection with the social message they wanted to communicate. In fact, the ultimate aim of ZüriChips is to teach people how to waste less food, and this include also revealing the recipe of the chips so that users can replicate it at home. In economic terms, this might be counterproductive, but in term of social value, this is essential because the fact that people are motivated to copy your recipe at home increases drastically your social impact.

4.3.4. The development of the idea

Following the steps of the Colead program, this section provides a description on how the team came up with the idea of ZüriChips.

During the ideation phase, the team presented different topics according to their individual preferences. Moky and Lucie suggested the idea of dealing with the problem of *plastic in the oceans*, while Enrico was more prone to the issue of *C0$_2$ emissions and greenhouse effect*. For this reason, in a first phase, they decided to go for the general topic of *pollution*, in order to meet everyone's wishes and stay all motivated.

Within his own group, Paolo suggested a topic related to *responsible consumption*.

After a while, they had to choose a more specific topic to focus on. They solve the problem by deciding as a common theme the concept of *sustainable food*, which was still quite generic.

On this phase, they started to think about some prototypes around the idea of sustainable food, like opening a physical space dedicated to this subject.

Moky describes the whole journey as the Diamond scheme, according to which it seems that you have reached a conclusion and then many opportunities arise. All the process in fact has to be perceived as iterative and not as a series of pre-defined steps.

Back to our journey, they interviewed over 30 experts getting insights of life cycle analysis. In particular, the meeting with Eaternity, an organization that measures the impact on environmental footprint of the menus of restaurants, was very helpful.

Thanks to all these insights, they decided to narrow it down to the *problem of food waste*. In fact, after all these analyses, this topic seemed to be the easiest and most significant to work with.

Once the topic was selected, it took them just a few months to develop the idea of the chips, and after that, just a few days to create the first prototype.

After three weeks, the chips were ready for the first test. It took place in July with a small public of 20 people.

According to the view of fast prototyping and testing, the first selling test soon took place: in July 2018 they went in some bars in Zurich, asking directly to the people how much they would be willing to spend for the chips. To make the whole test even more credible, they were actually pretending to sell the product and then giving back the money before the person would exit the bar. This operation was very useful in order to understand if there was a real interest from the final user regarding the chips, and the feedbacks were very positive.

The whole process can be summarized through this timeline, that shows the progresses of ZüriChips through the year 2018. As we can see, they proceeded at a very fast piece. The speed of their journey can be associated to the theory of Agile organization mentioned in the first chapter. In fact, by prototyping frequently and searching for continuous feedback from the market, they were able to move quickly and to be always motivated.
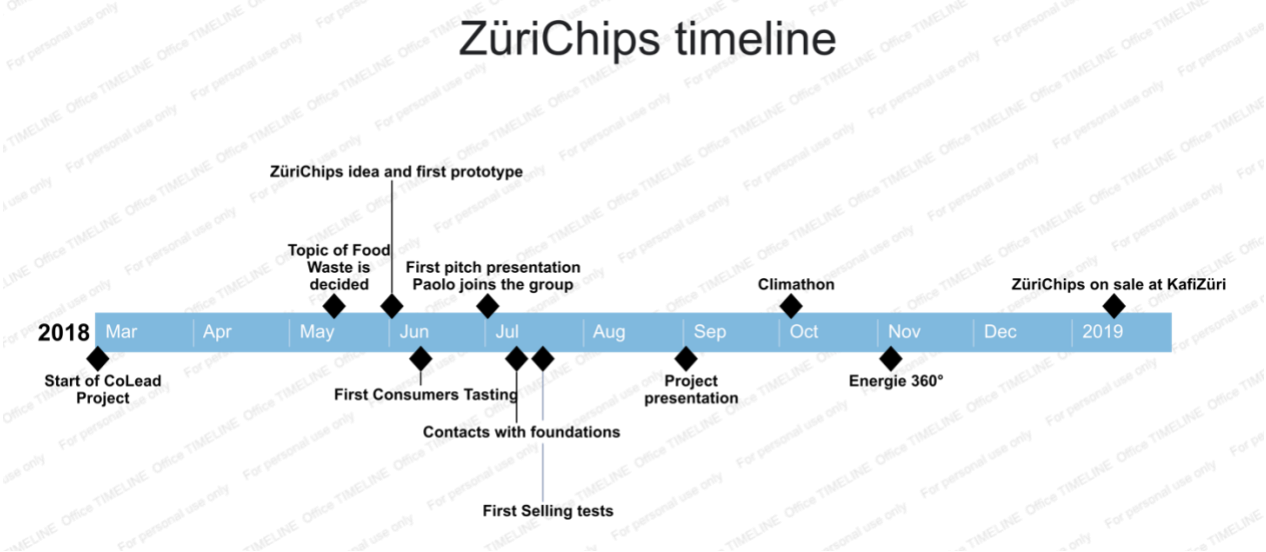

Image 15: ZüriChips timeline- year 2018

While in a first phase the chips were mainly sold during events or fairs, from January 2019, they started to be available also in physical stores. In particular, the team signed contracts with two different Deli bars: *Berg und Tal*, which sells traditional food products from Switzerland and *Kafi Züri,* which is instead focused in particular on the sale of sustainable food. Recently, they extended their reach to two new points of sales, Deli 1993 and Chez Nous, both is Zurich.

Despite the international background of the team, at the moment, they are not planning to expand the client acquisition to other cities or countries, because of the lack of a standardized production. However, ZüriChips's team has participated to different events in Europe, because even if the chips are currently not exportable, the message is, and ZüriChips aim is to involve as many people as possible in the fight against food waste.

Regarding the production, at first, the team was making the chips at their home, using simply their family oven.

After a while, they moved the production to a professional kitchen available at Mühlerama museum of Zurich. There, they started to engage external people in the preparation of the chips, building in this way what it is now ZüriChips community.

Regarding the supply of the bread, they decided to rely on the Swiss start-up Äss Bar, which collects unsold bread and other bakery products from Zurich's bakeries for then reselling them the next day at its shop[35].

In June 2019, ZüriChips outsourced the production relying on an external partner called Züriwerk, which is a Swiss association that works with disable people by involving them in different activities such as packaging assembly, gardening and also bakery[36]. ZüriChips took advantage of Züriwerk's equipped bakery and decided to outsource the production. In this way, the team had the opportunity to invest its time in more business-related activities, such as client acquisition, and the whole production process became even more sustainable because it involves inclusion of people with cognitive disabilities.

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[35] ÄSS BAR. (n.d.). *Äss Bar Homepage*. Retrieved from http://www.aess-bar.ch/index.html

[36] Züriwerk. (n.d.). *Zuriwerk Bakery* . Retrieved from https://www.zueriwerk.ch/produkte-dienstleistungen/baeckerei/baeckerei/

Through this detailed description, I gave a snapshot of the history of the brand and the composition of the team. Many touchpoints of ZüriChips's story can be found in the theory presented in the previous chapter. The next section aims at describing these connections between the literature of social innovation and the case of ZüriChips.

4.4. Discussion

In this part, the theory of the previous chapters will be connected to the case. In particular, recalling chapter 2, I will analyze which are the main sources of innovation that brought to the born of ZüriChips and then pass through each of the steps to have a clear understanding on how the firm is currently doing. As a reminder, they included: mission, market, money, social impact, people, sales marketing & branding, legal structure and business plan.

4.4.1. ZüriChips's main sources of innovation

As mentioned earlier on this work, innovation opportunities can arise from different sources that belong to the internal or external environment.

Different sources of innovation have been identified in the case of ZüriChips. In particular, looking at the internal environment, *changes in the industry and market structure*, intended as the entrance of new participants in the market (mainly start-ups), have made the F&B sector more accessible and flexible, allowing also to small firms like ZüriChips to gain their small market share.

On the other hand, we can find more source of innovation on the external environment. In particular, *changes in demographic term*, as broadly explained in chapter 3, have resulted in an overall increase in the demand for food. This has benefited the whole F&B sector, including both small and large enterprises.

In addition, recent *changes in consumer behaviors* have created important opportunities for the success of ZüriChips. These regard more attention towards the quality of food, its preparation, and most importantly the way food is disposed, which are all consistent with the values of the brand.

To sum up, there are three major sources of innovation related to the born of ZüriChips and its success.

Let's now analyze the steps listed in chapter 2, related to the set-up of a social enterprise under the point of view of ZüriChips.

4.4.2. ZüriChips as a social enterprise

Mission

Image 16: Logo extension

The mission statement of ZüriChips is "fighting food waste with delicious chips baked from rescued local bread"[3]. It is easy to understand and explains in a few worlds everything that you need to know. To give a better idea on how it works, they created this very appealing "extension" of the logo, that positions ZüriChips in the middle between bakeries and the trash bin.

Market

The target market of ZüriChips is mainly composed by two distinct groups. On one hand, there is the group of green consumers, that cares about the environment and wants to reduce the negative impact. They are already involved in the fight against food waste and they consume ZüriChips because they strongly believe in the brand's mission and vision. They can be reached through the two sales points, specialized in healthy, environmentally friendly food products and during specialized events on the subject.

On the other hand, there is another target group that ZüriChips aims to reach, which consists of potential green consumers, that are maybe willing to adopt a more sustainable lifestyle, but they lack the means and the knowledge to implement that. Since at ZüriChips they care a lot about educating consumers to waste less food, this larger group is very important to them. By being broader, this target is also more difficult to define and to reach, hence the firm has to focus on multiple channels. The chips are currently offered during events or conferences as free giveaway, always together with the message (that can take the form of a napkin on the packaging). This allows an expansion of the target market to the not-yet green world and an extension of the social impact. Moreover, the team sometimes participates with cooking classes to important food events, such us during Food Zürich, which is a massive festival that attracts thousands of visitors every year.

Analyzing the competitors of ZüriChips, we can divide them into three different categories: brands of chips derived from food waste, brands of chips derived from bread,

and in general brands of chips. The entire market value of Swiss potato chips is around €14 billion.

The most direct competitors are the ones that produce chips derived from food waste. The main exponent here is Tschipps, which is a Swiss brand that produce chips from waste products derived from beer's production process. Even if the product is quite different, the social impact that stands behind is very similar and that's what makes it the principal competitor of ZüriChips.

What really differentiate one from the other is the branding and communication strategy adopted. Tschipss's website just is just translated in German and the design is not so appealing, while ZüriChips's website is user-friendly and most importantly the impact is express very clearly so that everyone can understand it quickly. Moreover, Tschipps lacks social media support which has become essential in recent years to reach a broader range of consumers. However, an advantage of Tschipps is that they have an e-commerce platform from which you can buy the chips. In the case of ZüriChips, it is still not possible to implement this activity due to a production problem that will be discussed later.

Less direct but still to be considered as competitors are the brands of chips made with bread. Usually these are brands extensions of popular potato chips brands, like Lays garlic bread chips (USA). Others are instead specialized just on bread chips, like Brips (Russia).

Image 17: Lay's Cheesy Garlic Bread chips

The main difference with the respect to ZüriChips is that these are all industrial products, hence they vary for sure in term of quality and taste since at ZuriChips it is all "artisanal". Moreover, they do not have any social aim in particular, but they operate just moved by economic reasons.

Despite this, they compete with ZüriChips in term of prices because thanks to the standardized production they are able to produce high quantities and, in this way, reduce prices.

The last group of competitors identified is the general group of chips brands that include Zweifel, which has the largest market share for the Swiss potato market (about 70%) (Pfander, Pulver, & Zahnd, 2010) and other international brands like Pringles, Lays, etc.

As before, also in this case the main problem regards the competition in term of prices. Along the project, the team has realized that they should work on reducing the price of ZüriChips, because at the moment they are selling them as they were traditional local products from Switzerland, which is not the case, and they are encountering some problems in term of positioning.

In general, we can understand ZüriChips's positioning through this map:
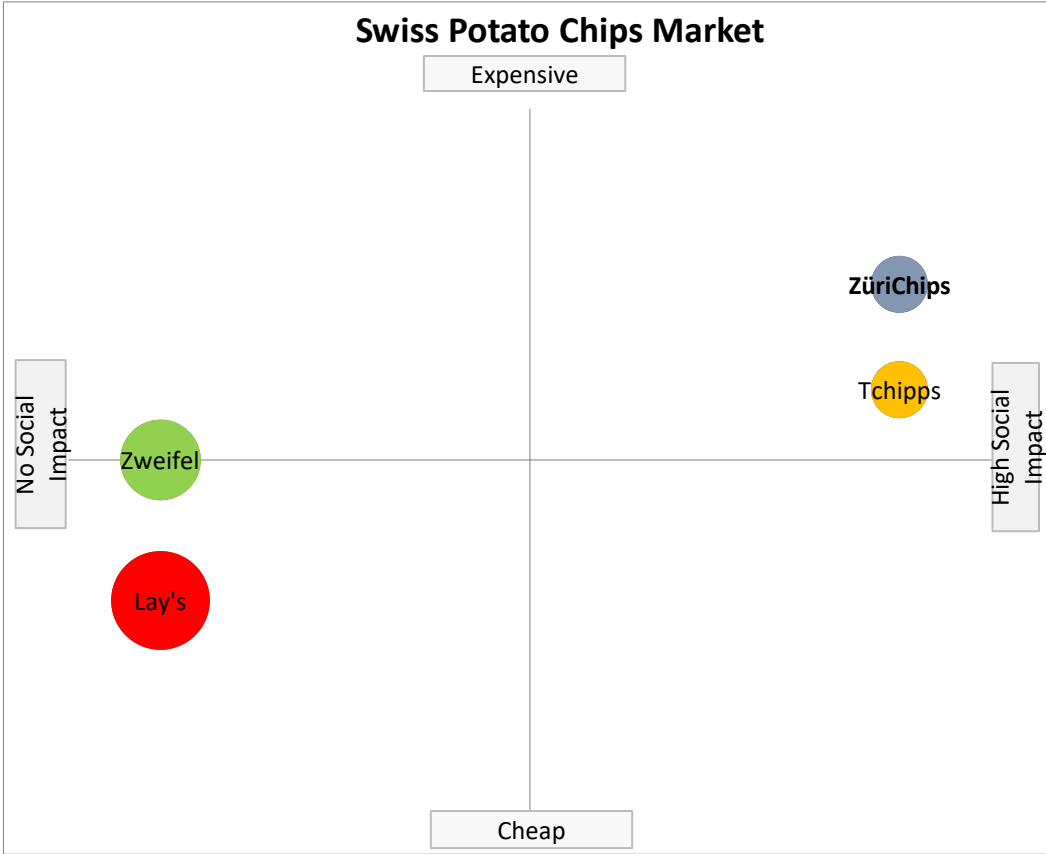
Graph 1: Positioning Map

From this chart, it is clear that the dimension of the company, represented by the dimension of the circle, is inversely proportional to the price of the product. Hence, larger is the firm, lower is the price, as we can see in the case of Lay's, which belongs to the multinational PepsiCo. This is mainly due to economies of scale and standardized production.

Looking at the location of ZüriChips, it is perceived as a product with high social value, thanks to the message it communicates, but it is one of the most expensive alternative.

ZüriChips team realized that this price gap is hurting the business and they are trying to reduce the costs by improving the whole production process, making it more standardized.

Money

As mentioned in chapter 2, the problem of the founding is one of the major concerns within the start-ups' world. When it comes to social enterprises, this job is even more difficult, and the main sponsors are usually foundations.

Through an attentive analysis on what foundations are looking for, the team of ZüriChips was recently able to sign two contracts for funding with two different foundations. As Paolo explains, "the key with foundations is to communicate clearly the message and the social impact you want to create. By being a social enterprise, the business case is not always positive, but you need to show them that it can be as solid as possible".

When it comes to deal with the budget, the difference between social enterprise and charity becomes apparent. To convince foundations to invest on you, you need to leverage on your entrepreneurial capabilities by presenting solid business cases and at the same time you need to show them your philanthropic purposes. This is what Scott Harrison has done with its *Charity: Water,* by overcoming in this way the problem of funding.

Another important way to get in contact with foundations is to participate to social innovation trainings and events. For instance, thanks to the participation of ZüriChips to the Climathon 2018, a 24 hours hackathon where you can bring your innovative idea, they were able to get support in matter of scalability of the idea from the company Energy 360°. Recently, they were accepted for the 6-months Red Bull Fellowship program, designed for entrepreneurs who want to be successful in the social innovation field[37].

Social Impact

Until now, I have just spoken generally about the impact of ZüriChips. Recalling chapter 3, the problem of food waste has produced a very negative effect on the environment (about 8% of the total GHG emissions). Looking at the data related to Switzerland, the trend is similar to the one of other western countries with around 1/3 of the food

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[37] Red Bull. (2019). *Red Bull Amaphiko Country Fellowship Program*. Retrieved from
https://www.redbull.com/ch-de/events/amaphiko-fellowship

produced going wasted. In terms of measures, the amount of food wasted just in Switzerland is equal to the emissions of 1.5 M cars. Following this reasoning, ZüriChips has calculated their impact in term of "car ride saved": for every kg of chips, 6 km of car ride are saved. This is an easy metaphor that helps us picturing the impact of food waste and how small changes in the consumption can make the difference.

Looking at ZüriChips homepage, it is possible to spot the achievements they have already made throughout this year and half.

BREAD RESCUED SO FAR:

102 KG

CO2 SAVED SO FAR:

72 KG

Image 18: ZüriChips's social impact (updated September 2019)

The two measures taken into consideration are the amount of bread rescued and the amount of emissions of CO_2 saved. It is already a very good result and with the recent upgrade in the production process, these numbers will increase at a faster rate from now on. The team has also fixed some specific objectives to be reached: by 2021 they will have rescued around 1,209, 600 kg of bread and saved the total of 1,100 flights London-New York-London.

These measurements regard just the direct social impact that the company can easily calculate it by looking at results of their activities. However, this excludes a large portion of the overall impact that is connected with the involvement of the people. As Moky argues, "the impact does not regard just the kilos of bread we can save, but the number of people we can reach with our message". In fact, they strongly believe that to make the difference in the fight against food waste, you need to involve as many people as possible, who do not just want to buy the chips, but they start to adopt a more sustainable lifestyle also at their homes. This is something that cannot be really measured but can actually duplicate or even more the direct effect of the chips.

In fact, as mentioned in chapter 3, the main responsible of the problem of food waste are the same households, that most of the time ignore the risks related to this issue and the possible tricks that can be adopted to waste less.

People

Currently ZüriChips is composed by the four entrepreneurs. As we have already explained, they rely on external partners for what is concerned the supply of the bread and the production of the chips. The team is quite differentiated in term of backgrounds and personalities and this creates the perfect fit for this type of project.

As they will keep growing, they hope to make this a full-time job that could pay them a real salary. Once that is achieved, they will start to re-thinking about the business and that might include establishing a formal business governance. At the moment, they prefer to keep the whole project flexible.

Sales, Marketing and Branding strategy

ZüriChips was able to adopt a successful marketing and communication strategy that resulted in the creation of a strong brand identity. As mentioned before, Paolo and Moky come from a background in marketing and thanks to their knowledge in the field, they were able to deliver a successful product, without investing huge amounts on advertising. Hence, due to their experience, they decided to integrate marketing and communication within the company's main activities and do not rely on external agencies.

ZüriChips uses both online and offline channels. They are present online with the website, Facebook, Instagram and LinkedIn. Offline they mainly promote themselves by participating to events.

But working on the product is not enough and the team has clearly understood how important is focusing also on the packaging. Even if there are still some improvements to be made, they came up with a creative idea that is adding to every packaging a sort of "napkin" in which is written an advice on how to waste less food. For instance: "A rendez-vous between young apple and old bread. Because if you place an apple in the bread box, the bread stays fresh longer". In this way, the packaging does not cover just the function of casing, but it is the main carrier of the social message together with the product. Baci Perugina, the famous Italian chocolate that has a personalized "love phrase" that comes with every candy, has adopted a similar tactic.

Regarding the name and the logo, they express the true essence of the product, without being excessive.

Finally, an important aspect of ZüriChips's promotional activities is the involvement of the local community. Within less than a year, they were able to bring together a

community of over 70 people, that was mainly involved in the preparation of the chips, helping the team by delivering the product faster. Recently, due to the outsource of the production process, the role of the community falls short and the team has to find new ways to connect people with the brand. The example of Olio, presented in chapter 3, can be an interesting point of reference on how to involve the community in the fight against food waste.

Legal Structure

To set up their business, they relied on a form of legal structure that is present Switzerland, Germany and Austria called a GMBH (Gesellschaft mit beschränkter Haftung). It can be associated to the classical Limited Liability Company.

Differently form the UK in fact, the German/Swiss system does not currently have a proper legal form just for social enterprises (as the CIC of the UK to be clear) (European Commission, 2014, p. ii). In fact, most of the social enterprises are GMBH but they work "under public benefit status" (European Commission, 2014, p. 36).

Business Plan

Chapter 2 pointed out the importance of having a solid business plan, especially in the case of social enterprises. As mentioned earlier, by being small and relatively new, ZüriChips has kept the whole process quite informal, and for this reason, it might have delayed a bit the preparation of the business plan. Starting earlier with the plan would have let the team understand sooner the scalability of the idea. In particular, thanks to the business plan, they realized that these types of firms are profitable just with high quantities, but they are not equipped for that due to a lack of large investments.

To sum up, looking at the analysis of the different requirements, we can say that ZüriChips has met most of them. In the case of marketing and communication, they went further by developing a strong brand identity. Other aspects can be improved for instance by making the process a bit more formalized by tracking the progresses of the project, but overall, they are working well.

4.4.3. SWOT Analysis

To sum up, I created a SWOT analysis that shows the main strengths, weaknesses, opportunities and threats of ZüriChips.

STRENGTHS

- Strong brand identity
- Social impact
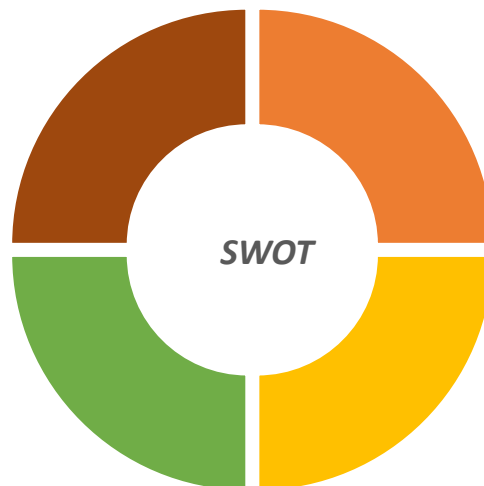- Quality
- People

WEAKNESSES

- Price
- Lack of time devote to the project
- Lack of standardized production

OPPORTUNITIES

- Improving the Business case
- Community involvement
- Working on the message
- Expanding the network

THREATS

- Static external environment
- Competitors
- No brand protection

SWOT

Graph 2: SWOT Analysis

Strengths

ZüriChips has established a strong brand identity thanks to different aspects that have been previously analyzed (such as mission, vision, logo and packaging), which makes it easier for the consumer to position the brand and perceived it as unique.

The social impact of ZüriChips, both direct and indirect, is a key competitive advantage of the company, and what makes it different from the others.

The quality of the chips is indisputable because they are artisanal chips, and do not contain industrial preservatives. Hence, they are a healthier alternative with the respect to the competitors.

Last but not least, the different experience and backgrounds of the four founders have contribute substantially to the success of the whole project.

Weaknesses

The price of a package of ZüriChips is around CHF 5.90 which is way more than an average package of chips. The consumers are willing to pay a premium price for being more sustainable, but this cannot be too high. Hence, the price represents the main weakness of the chips at the moment and it needs to be adjusted as soon as possible. Apart from that, the limited time that the founders can devote to the project (around 30% of their working time) is another issue: due to a budget constraint, they cannot make ZüriChips their first occupation. However, what they are trying to do is outsourcing the activities that can be carried out by others and focus on what they are really good at.

Related to this problem, there is the lack of a standardized value chain. On this point, some relevant improvements have been made over the summer, by outsourcing part of the process, but it is still not totally autonomous, in fact the team still in charge of the distribution activities.

Opportunities

The main opportunities identified regard the business case, the community, the message and the network.

The business case has more space for improvements, especially for what is concerned the scalability of the idea.

After the role of the community fell short, ZüriChips has the opportunity to find new ways to involve it and expand it.

Despite this, currently the main short-term objective of the team is improving the message: through a more attentive storytelling and other techniques, they believe they can take advantage of its full potential and reach more people.

Lastly, with the participation of the Red Bull fellowship program, they can have the chance to get in contact with new realities that can result in perfect networking opportunities. As mentioned in chapter 3, finding key partners is essential to be successful in these contexts, and ZüriChips is engage in a continuous research for collaborations related to any aspect of its business in order to improve the overall efficiency.

Threats

Despite ZüriChips is trying to be involved in as many initiatives as possible, they are aware that the external environment in which they operate is not always favorable, and there is the risk that it stays static, obstructing their growth.

Moreover, the threat of competitors is always present, and this does not regard just the existing ones, but also the possible new entrants. In fact, being the problem of food waste a hot topic at the moment, new competitors might come up with a similar idea and a more organized supply chain, hindering the efforts of ZüriChips.

In addition, at the moment, ZüriChips is not able to protect the brand nor get a patent. In fact, in the past, they tried to ask for the protection of the name, but at the Swiss institution for trademarks neglected their demand since "ZüriChips" is considered too general. Regarding the patent, the recipe is too obvious to even get one. They could get a patent for a "production machine", but at the moment this is not one of their top priorities.

4.4.4. Future trajectories

Plans for the future of ZüriChips regard several areas of improvement. On this point, respondents provided all different answers. This shows that even if they tend to do everything together, everyone has set its own objectives related to their specific task, which is good for what concerns differentiation of labor.

We can divide the objectives in short term and long term.

In the short-term, ZüriChips aims at completing the process of production's outsourcing so that they can concentrate on more business-related topics, such as the message. In fact, this last point is particular important when it comes to deal with foundations and investors in general and for this reason, it should be expressed in the best way possible. Hence, the next step for the team will be developing a strong message, able to capture the true essence of ZüriChips's social impact. In the meantime, through participating to projects like the one promoted by Red Bull, they will work on the scalability of their idea and on how to find new investors.

After that, the main focus will be on the reach, extending the current customer base by looking for more point of sales in order to better target the B2C market, together with new selling tests.

They are not planning to work on the product, maybe extending the line with new flavor like garlic.

On a long-term perspective, they want to focus more on the community and people in general. According to the indirect social impact mentioned above, they want to purse also an educational aim, by presenting their experience also in schools and universities. They believe in the "walk and talk" approach and they want to develop in people the enthusiasm for sustainable behavior. This is for sure a less measurable and more challenging task to complete but it the only way to have a significant impact on the society and what motivates them the most to continue with the project.

CONCLUSIONS AND RECOMMENDATIONS

The aim of this qualitative analysis was to provide a clear description of what is a social enterprise and of the process that leads to its creation.

Firstly, by bringing the example of ZüriChips, it was possible to provide some clarity around the concept of social enterprise. This configuration is similar to any other business, in term of legal structure, marketing and communication strategy, business case, etc. However, it is also more than that, thanks to its social impact. In fact, social enterprise's activities do not just aim at creating economic value but also value for the society. Recalling the scheme of Professor Krige analyzed in chapter 1, social enterprises are placed in the middle between the for-profit and not-for-profit scenario, since they have characteristics that match both realities.

What is clear is that slowly this type of organization is taking the place of old charities and outdated not-for-profit businesses due to its more sustainable business model, which lets it survive in the long run without the need of large incentives from the outside. In this context, entrepreneurial capabilities are essential to carry on this type of businesses due to the unstable environment in which it is inserted. For this reason, experience in the business and administration field is a must have that should be required for managing any social enterprise.

Moreover, another important characteristic of working with social enterprises is motivation. In fact, even if they are more sustainable in economic term with respect to charities, it might require some years before that revenues of a social enterprise are enough to pay real salaries. For this reason, motivation is essential in order to stay always focused on the long-term objectives of the business.

Once the concept of social enterprise is clear, it is interesting to focus on the process that leads to the creation of this type of organization. As we can see, the identification of the global issue to be solved is a very challenging task and insights from expertise can really help during the problem identification phase. That's what the team did by relying on over 30 experts of life cycle analysis before coming out with the topic of food waste.

After the problem is identified and a possible solution is picked, the process is far from over. In fact, the implementation phase is even more difficult. The best way is to adopt fast prototyping and testing in order to get an immediate feedback from the end-user and giving up on your social innovation if the market is not ready for it. When it comes to

innovation, being quick and flexible are the keys to be successful because help you fit the dynamic environment in which the company operates.

What can speed the process drastically are the collaboration with external partners, as we have seen in the case of ZüriChips. In fact, the company is always opened to new networking opportunities, which can let it acquire new knowledge in the field and improve the overall efficiency.

For the purpose of this analysis, I decided to focus on the problem of food waste, because it's a global issue that can be drastically mitigated by teaching people some tricks on how to waste less food. In fact, as mentioned earlier in this work, household consumption represents one of the major causes of that 8% of global GHP emissions caused by food waste. Therefore, there is no excuse that holds, like the one that a single individual cannot change things and that the responsible should be found somewhere else. In fact, it is exactly the power of that single contribution that might change the current scenario. This is what ZüriChips wants to communicate, and to do so, they have adopted a new approach that does not aim at blaming anyone in particular, but at empowering people to waste less in order to "save the world" with a smile and eating crunchy tasty chips.

APPENDIX A

Respondents	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8	Question 9	Question 10	Question 11
Moky	What's your background?	How did you end up at ZüriChips?	What was the project's timing?	Did you rely on an external partner for the production process?	Which communication channels do you use?	Where can we buy the chips?	Where does the rescue bread come from?	What's your main role within the project?	Do you have any investor interested in the idea?	What are the plans for the future of ZüriChips?	What's ZüriChips's target market?
Enrico	What's your background?	How did you decide as a common topic the theme of food waste?	Did you do some prototypes in the first phase?	When did the testing phase occur?	Can you recognize some challenges related to the launch of the product?	What's your main role within the project?	What's your first job?	What are the plans for the future of ZüriChips?	What are ZüriChips main competitors?		
Paolo	What's your background?	At what point of the project did you join the group?	Did you express a preference towards a particular topic with the first team you had?	Did you find some particular problems in joining the project halfway?	Which are the main challenges you encountered?	Do you keep a tracking of the progresses?	How much time do you devote to the project?	What's your main role within the project?	What are the updates of the project?	What are the plans for the future of ZüriChips?	Are you to focus more on ZüriChips Community?
Lucie	What's your background?	What are the main drivers that brought you to participate to the Colead program?	At first, did you have a favorite topic to focus on?	What's your main role within the project?	What are the updates of the project?	What's your first job?	What are the plans for the future of ZüriChips?	What's the legal structure of your enterprise?	When did you start to sell the chips in stores?	Do you have anything you want to add?	

Table 1: Interviews' questions

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