

Social business label in the German food industry – a proposal

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The German food industry suffers from recurring food scandals, which burdens the trust relationship between customer and producer. One cause of the deceptive behaviour the food industry shows towards the consumer and probably the greatest motivation seems to be profit and the oppressiveness of maximizing it. On basis of this insight a business model is examined, which does not solely focus on profit-maximization, but on supporting social causes and solving social issues. This business approach is termed social business. Unfortunately the definition for framing a social business is still under discussion and a commonly accepted definition is not available. Circumventing the problem of an academic discussion about the real definition of social business, this paper is focussing on implementing a different approach by testing an existing social business label from England and adjusting it to the German food market, with the help of eight social oriented businesses. On the one hand this paper suggests that the criteria for receipt of the social business label constitutes a more practical approach to the social business definition. On the other hand this social business label offers the possibility of additional advantages to companies meeting the criteria and therefore allowed to use this label.

INTRODUCTION

The food industry's trust relation between producers of goods and consumers is deteriorating, because people's impression of being excluded from the decision making and influence taking process in the production circle of nutrition's is rising constantly (Dahm et al., 2008; Müller, 2011). Furthermore, two thirds of customers feel highly deceived by the gap between expected quality and met quality (Kästner, 2012; Zühlsdorf et al., 2012). This study concentrates on Germany, because consumers there are considered to be very concerned about food and tend to be distrustful of those who produce it (Kafka et al., 1998, Bager, 1997). In addition the German food sector is one of the biggest in Europe (Eurostat, 2008) and the food sector has the second highest marketing expenses in Germany (Zühlsdorf et al., 2012). This provides a greater potential for a bigger sample of socially oriented companies in this branch. Despite the food industry's knowledge of the trust imbalance and the awareness of the consumers rising discontent (Pech-

Lepotta et al., 2011; Kästner, 2012; Zühlsdorf et al., 2012), changes in procedure are hardly found. Reasons for the persistence of this potentially image-damaging behaviour towards consumers is the combination of a highly competitive market, the information asymmetry between producer and consumer (Zühlsdorf et al., 2012) and the aspiration for profit maximization (Ortmann et al., 1997; Yunus et al., 2008).

To counteract this progress of consumers distrust for producers, a business form with a basic ethical attitude will be chosen for this thesis to be examined in more detail, since morally obliged companies are perceived trustworthy by the consumers (Román, 2003). Two of the most promising business forms for this thesis, combining ethical attitude and business, are the non-profit organisation (NPO) concept and the social business (SB) concept, focusing on social profit maximization. What both have in common is that profits are not distributed to shareholders, which relieves those business forms from outside pressure (Grobman, 2008; Leppert, 2011). The important difference between the concepts and reason for choosing the SB concept is

the SB's independence from debt capital (Yunus, 2008; Yunus et al., 2010). Even though Social businesses generate profits, they do so only as a secondary motive and also strive to be as efficient as other conventional businesses with a profit maximizing focus (Harding, 2004). Independence and efficient business conduction makes the SB concept potentially sustainable and therefore socially supportive in the long term. There are two reasons for choosing to examine the concept of a label in combination with the social business model. Firstly, the missing definition of the concept of social businesses could be provided with a frame by developing a criteria catalogue for a social business label, which is tested in the field, secondly the best tool to create consumer awareness is a label (Pech-Lopatta et al., 2011).

The goal of this study is to test whether a social-business-label (SB-label) would be of interest to social-business-companies (SB-companies) in the German food industry and if confirmed, to suggest which criteria should be fulfilled by potential social-business-label-users (SB-label-users), based on the testing of the criteria relevance of the English Social Enterprise Mark (SEM) criteria set. The practical focus of this work is to provide a potential daily business improvement solution for social businesses. This will be in the form of a provisional label which includes a set of conditional requirements and moreover adds insight to the academic world by supplying criteria important to actual social oriented businesses and by that providing a framework.

THEORETICAL FRAMEWORK

“Certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards” (ISO, 1996). Since certifications are always issued by third parties, which are independent, act on self-determined regulations and have no conflict of interest between the deals of the other two parties, those certifications generate assurance in the truth content of the verified standards (Dankers et al., 2003; Juran, 1962; Luning et al., 2002). Standards are sets of established rules or requirements of a certificate, which have to be fulfilled by parties interested in receiving certification (Ellis et al.,

2009). Labels are just symbols indicating the fulfillment of standards for the certification of products at the point of sale (ibid.). Therefore the communication relation can explain the difference between certifications and labels, as certification can be understood as the communication between buyer and seller and labels cover the communication with seller and end-consumer (Dankers et al., 2003).

Labels are tools needed by customers to categorize a product's qualities, which are intangible to customers and are observable only by organisations certifying and verifying those specific qualities, so that the credibility of the quality mediated depends on the customers' confidence in the trustworthiness of the label (Renard, 2005; Jahn et al., 2004; Carimentrand et al., 2004)

Labels legitimation for the label user and food producer:

Labels do not only verify the demanded products attributes, but can transmit the customers social values associated with the products attributes (Renard, 2005, McCluskey, 2000). In that sense do labels not only facilitate the customers buying decision, but have the potential to increase turnover of the labelled products as well as profit, as customers appreciate the improved degree of credibility by paying premiums for labelled products (McCluskey, 2000; Morgan et al., 1990).

The very reason for labelling is to differentiate ones product from another product of which the alleged quality difference is not tangible to the end-consumer (Ilbery et al., 2005; Carimentrand et al., 2004). According to the article of Ilbery et al., 2005, the will to differentiate ones product can have three different motivations.

The first motivation is being able to demand a premium price, which seems to be the most common reason and the primary concern of producers (Ilbery et al., 2005) to differentiate via label with regard to the number of articles referring to this particular motivation for labelling. The second motivation for differentiating ones product by labelling is the process of protecting and enhancing the environment, such as organic labels and other various environmental safety labels (Ilbery et al., 2005). The last motivation according to Ilbery et al., 2005 can be referred to as the protection of place, including the protection of traditions, social &

economic structures and the introduction of new socially just production approaches (ibid.).

Labels legitimization for the product consumer:

At a certain point of increasing information asymmetry, meaning the growing difference of information distributed between supplier and customer (Akerlof, 1970; Spence, 1976), labels are imperative for the consumers, because the products qualities become increasingly difficult to estimate (Jahn et al., 2004).

The Social Enterprise Mark (SEM):

The Social Enterprise Mark Company (SEM) is a social enterprise start-up founded 2010 in the UK; its business form is a Community Interest Company (CIC) which is led by a steering group consisting of social businesses that agreed that a social enterprise label could be advantageous. On its own admission, “the Social Enterprise Mark is the only international certification authority that guarantees when a business operates as a social enterprise, using profits to improve society” (SEM – About us, 15.05.2012). The necessary criteria for receipt of the label are the following:

Criterion 1:

The most basic precondition for a social business is the attitude of having a social objective. Having an economic objective is in a wider sense social as well.

Criterion 2:

Independence is very important for a credible image, because in case of dependence, other parties can interfere in your actions resulting in goods or services that do not necessarily resemble the company’s and the consumers’ social idea.

Criterion 3:

Social businesses are by definition trading companies and should at least generate more than half of its income from trading.

Criterion 4:

The concept of Social business is furthermore defined by giving the profit or parts of the profits to charitable projects.

Criterion 5:

This criterion’s objective is to prevent members from saving profits which could be gained by those social business owners on a future dissolution of the

firm. In this sense social businesses are being protected from deliberate dissolution.

Criterion 6:

Social businesses actions should be open to scrutiny to prove its social integrity. Otherwise this label could be abused for green washing purposes.

The SEM criticism:

The Social Enterprise Mark criteria are not completely compatible with the idea of social businesses, Muhammad Yunus’ established. Muhammad Yunus denotes companies as social businesses that are driven by 100 percent social-benefit (Yunus et al., 2008; Yunus et al., 2010). In the criteria catalogue a minimum social benefit of more than 50 percent is required, in that sense companies can be understood as so called ‘hybrids’ which are described as a mixture of ‘Profit-Maximizing-Businesses’, motivated by personal gain (PMBs) with ‘Social Businesses’, driven by the selfless concern for others. The difficulties of that combination are illustrated by Muhammad Yunus in the following paragraph:

According to Yunus et al. (2008) the problem with the hybrid system are the conflicting goals of profit maximization and social beneficial causes, because managers at some point will have to choose between more benefit for the company or more benefit for the social cause. Managers might be driven to choose the companies benefit, as success currently is measured primarily by profit-maximization and goal achievement for social objectives is much more difficult to assess (Yunus et al., 2008). The advantage of not mixing those two business concepts implies a lower chance of deceiving investors or customers into false pretences of the actual mission of the company (ibid.).

METHODOLOGY

The previous sections introduced the problem, offered a potential solution and explained the concepts of this solution, which constitutes in the application of a social business label on the German food market. To test the problem statement and to collect new information a case study analysis is conducted and implemented in the following structure:

In the first step a non-probability sampling approach is used to screen the German food market for other social labels. Due to the small number of existing socially oriented businesses in the German food market purposive sampling is used to give the researcher the freedom to choose participants according to the criteria specialist knowledge, benefit and willingness of participation (Jupp, 2006). On basis of those criteria, people who are involved in or have information about social oriented businesses are contacted. These individuals included, journalists publishing about the field, professors and institutions researching about social topics, social business owners, social oriented networks and Internet platforms.

Second step is about the pre-selection of potential candidates for the interviews, which are chosen on the basis of Yunus' type 1 definition of social businesses, which states that a social business focuses on providing a product or service with a specific social, ethical or environmental goal (Yunus, 2008, p.33).

The third step includes a detailed examination of the chosen companies, in form of a multiple case study analysis, in which different cases are examined and interconnected by comparison (Bengston, 1999). This analysis is conducted with qualitative semi-structured interviews in a face-to-face approach or in frame of a telephone interview, with nine representatives, exclusively managers and founders of social business in the German food sector, to receive a more generalizable confirmation of constructs and reveal additional insight (Lewis-Beck et al., 2004). The research is conducted by testing the interviewed socially oriented businesses in accordance with these 6 criteria of the label 'Social Enterprise Mark', indicating social businesses in Great Britain, and to receive additional information about other potential criteria that should be included in a criteria catalogue for social businesses in Germany. The data collection approach by interviews was chosen, due to only a small existing sample and the prospect of receiving additional information that was not asked for.

Every company gets tested for all the six factors that have to be fulfilled to receive the label 'social enterprise mark'. It gets elucidated for which factors the company does or does not meet the requirements. This is done qualitatively, as some companies might be social in the eyes of the observer, while they do

not fulfil the criteria completely, but in return cover other social factors that are not mentioned in the criteria list. This circumstance of the criteria set of not being able to make those soft factors tangible is a potential negative point for the final discussion.

In the fourth step the companies are categorised into label-allowed-companies and label-refused-companies based on the criteria of the English SEM, to estimate if the SEM would have the potential to be introduced to the German social business food sector:

Label-allowed-companies: If these companies that were perceived social turn out to be social after the standard of the label 'social enterprise mark', the image of that company corresponds to one official label for social business. Should all the examined companies correspond to their image, the need for an extra label, which confirms that the social attitude of the company is trustworthy, is not very high, because if customers already perceive social businesses according to their image, a label indicating this state of being a social business, would be redundant.

Label-refused-companies: If these companies that were perceived social turn out not to fulfil the criteria for the label 'social enterprise mark', the image of that company does not correspond to one official label for social business. The company does not meet the requirements, because it does not exactly fit the criteria catalogue, but could be perceived social according to Yunus' type 1 definition of social businesses. This could be an argument for criteria improvement.

This step is to be understood as a precondition for further research, as it helps clarifying the need for a potential new label and is excluded from the interpretivist approach used in step 5.

The fifth step includes a cross-case analysis in which the differences and similarities in the criteria fulfilment of the participating companies are estimated and additional insights from the interviews are categorised. The results from the 4th and the 5th step lead to a discussion about the adaption of the English 'Social Enterprise Mark' to the German social business food sector or the implementation of an improved label, respectively alternative certification system, to increase the awareness of customers and the trustworthiness of producers.

RESULTS

The results are divided into two sections. The first section, result A, is a desk research on existing labels, which evaluates the social aspect of existing labels and leads to a discussion about the pros and cons of the current label situation in Germany. The second section, result B, focuses more specifically on the elaboration of a potential social business label for the German food sector.

Result A:

Altogether there are many reasons in favour of labels as there are against labels, but those are based upon existing labels. The problems with the current labels on the food market is their application. The organic and fair-trade labels do reveal information about the products, but not or sometimes only indirectly about the companies that sell those products. A social business mark would guarantee that all products from companies wearing the social business mark would fulfil the requirements for this label and not only the products with the label on it, because a social business mark tests the criteria on a company, instead of testing it on the product. This point could hinder companies from green washing their image on the basis of a few organic or fair-trade products. If labels are managed credibly and in a trustworthy manner all the advantageous elements of labels can be used, because the organic and the fair-trade movement has already shown that people demand unpretentious social offers (Allan, 2005).

Result B:

Firstly the participating social oriented companies are tested for a potential SEM approval, to exclude the possibility of implementing the SEM or a label with the same criteria to the German market. The outcome of the SEM approval can be examined in table 1. Four out of the nine evaluated businesses would have the chance to receive the SEM label. The start-up privilege of the SEM criteria set, implying the liberation from the criterion fulfilment of criterion 3 and criterion 6, has no beneficial effect for start-ups to receive the SEM label, because all start-ups by definition of the SEM label not older than 2 years have fulfilled both exempted criteria, but could not receive the SEM label. The highest

obstacles for the business examined were the fulfilment of criterion 5, asking about the company's assets, excluded five companies and the fulfilment of criterion 4, excluded three companies.

Secondly the insights from the interviews with the social oriented business owners are cross-case analysed to build a basis for a potential social business label adapted to the German market. For a better comprehension similarities or differences are clustered in topics and displayed in table 3 in sections by the interview structure and in table 4 in section of additional interview insights. The key for the companies participating is itemised in the table 2.

Table 1: Outcome of the SEM accreditation

Criterion	BaSoBu (2010)	Coffee Circle * (end of 2010)	Kattendorfer Hof (1998)	LemonAid (2008)	Premium Cola (2004)	Teekampagne (1998)	Quartiermeister * (end of 2010)	Viva con Agua (2010)	WeGreen (2002)
1	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3 **	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Yes	no	no	yes	no	yes	yes	yes	no
5	Yes	no	no	yes	no	yes	no	yes	no
6 **	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	no
SEM cert	Yes	no	no	Yes	no	Yes	no	Yes	no

* This is a start-up, by definition of the SEM label.
 ** If a start-up the criterion 3 and 6 do not have to be accredited before 18 month of the label certification.

Table 2: Key for participating companies

A	Baobab Social Business (BaSoBu)
B	Coffee Circle
C	Kattendorfer Hof
D	LemonAid
E	Premium Cola
F	Teekampagne
G	Quartiermeister
H	Viva Con Agua (VcA)

Interview-structured results:

Table 3: Cross-Case-Analysis results of the Interview sections

Section	Activities								
		A	B	C	D	E	F	G	H
Criterion 1	Social founding incentive	✓	✓	✓	✓	✓	✓	✓	✓
	Environmental founding incentive								
Criterion 2	Independence	✓	✓	✓	✓	✓	✓	✓	✓
	Majority owner	✓	✓	✓	✓	✓	✓	✓	✓
	Financial incentive for debt capital lender								
	Own association for social projects	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3	100% of income generated by trading	✓	✓	✓	✓	✓	✓	✓	✓
	Share-of-profit-donation	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 4	Fixed-amount-per-sold-item-donation		✓						
	no donations, no profits			✓					
Criterion 5	Governmental supervised org. form (gGmbH)	✓	✓	✓	✓	✓	✓	✓	✓
	Cease trading - bankruptcy		✓						
Criterion 6	Cease trading - donate	✓	✓	✓	✓	✓	✓	✓	✓
	Proof of statement - label	✓		✓					
General opinion	Authenticity - social/ecological in every aspect		✓						
	Proof of statement - transparency		✓						
Improvement solution	Social business label - positive	✓	✓	✓	✓	✓	✓	✓	✓
	Social business label - negative								
Indicators	Consortium	✓							
	Improvement for labelusers and stakeholders	✓							

Criterion 1

Most of the representatives of companies interviewed confirmed the social motivation for founding this business. One major exception to this rule is the Teekampagne (F), which was founded by Prof. Faltin to prove to his students the applicability of the lectured knowledge, although the Teekampagne evolved to be an exemplary socially oriented and transparent business. The Kattendorfer Hof (C) was founded on the idea of providing customers with agricultural products by high ecological standards, with a certain influence on the product and its creation. This concept is social in the sense of letting the customer participate in the outcome and a cheaper price for people supporting species-appropriate husbandry and ecological farming by submitting a preliminary fixed amount. Meaning that the Kattendorfer Hof (C) is not donating to third world countries, but economizing fairly without generating much profit. The owner of the Kattendorfer Hof considers his work as a social

lighthouse project to show that this direct relation between producer and consumer is possible and worthy.

Criterion 2

All companies are independent from debt capital lenders, meaning that outsiders who might not have the greatest interest in the cause of the companies, but in profit maximisation cannot influence decisions. Viva con Agua (H) cannot be numbered among the other companies without restraint in respect of independence, because strictly speaking Wasser GmbH of VcA is dependent on the association with 20%, the foundation with 40% and the limited commercial partnership with 40% of the shares and by that the Wasser GmbH is not majority owner. Meaning that the limited commercial partnership could enforce their interests if they manage to convince one of the two other shareholder parties. Furthermore VcA (H) and Coffee Circle (B) are not rejecting the idea of supplying debt capital lenders with a financial incentive, which is a controversial position among social businesses, as the benefits of the business should be distributed to social projects or into the growth of the social business, for a greater impact. Most of the participating companies founded an additional association distributing the money generated in the companies, some such as Teekampagne (F) distribute the money to an existing association others such as Premium Cola (E) and Kattendorfer Hof (C) have different approaches and do not generate profits.

Criterion 3

All participating companies are not just generating 50% of their income from trading, but 100%.

Criterion 4

As a precondition for social business all the chosen participants finance their business themselves. Baobab Social Business (A) is the only company interviewed which has a governmental supervised organisation form respectively charitable limited organisation form (gGmbH), meaning that BaSoBu is obliged to donate 100% of its profits. Two cases of non-start-ups in this study have similar financing systems, in which they do not generate any profit. The non-start-up status is mentioned in particular, since start-ups often do not generate profits in the

first years. The following companies, measured by their age, cannot be characterized as start-ups anymore. Kattendorfer Hof (C) is not generating profits; instead the remaining costs are paid by the members of the association. Premium Cola (E) does not want to achieve profits and is instead increasing payments to suppliers or decreasing product prices for the end customer. Teekampagne (F), Viva con Agua (H) and BaSoBu (A) generate profits and donate various shares of their profit to charitable projects, whereas BaSoBu (A) donates 100% of its shares. LemonAid (D), Quartiermeister (G) and Premium Cola (E) share the similarity of having a fix amount per unit sold system, whereas LemonAid (D) and Quartiermeister (G) use this fixed amount only for donations. Premium Cola (E) uses fixed amounts as a salary for everyone in the value chain. Premium Cola (E) does not yet officially donate money to charitable projects, but could easily adapt the donation System of LemonAid (D) and Quartiermeister (G).

Criterion 5

Most interviewed companies would cease trading solely in case of bankruptcy. If Coffee Circle (B), Kattendorfer Hof (C) and Premium Cola (E) went bankrupt remaining assets and moneyed capital would be distributed to creditors and shareholders, no money would be donated. Bankruptcy must not be the sole reason for ceasing trading for BaSoBu (A), Teekampagne (F) and Quartiermeister (G) who would, in case of business termination, donate their assets to associations and foundations. Quartiermeister would distribute some of this money to the stakeholders as their employees have worked on a voluntary basis for a long time. LemonAid (D) and Viva con Agua (H) could imagine to cease trading only under the condition of bankruptcy, but would be willing to donate and distribute their assets.

Criterion 6

Four of the interviewed companies, BaSoBu (A), Kattendorfer Hof (C), LemonAid (D) and Teekampagne (F), use organic or fair-trade labels to demonstrate their social and ecological orientation. Two of those companies, LemonAid (D) and Teekampagne (F), additionally try to apply their social and ecological attitude in every aspect of their daily business, by for example treating everyone in

the supply chain, including employees and suppliers, by social ethics, instead of supporting only social projects with a high degree of public perception. Another company following this idea of higher authenticity is Premium Cola (E). Furthermore Premium Cola (E) and Teekampagne (F) are, as well as, Coffee Circle (A), Quartiermeister (G) and Viva Con Agua (H) supporting the use of transparency in different degrees. Teekampagne (F) can be named as one with the highest degree of transparency, whereas the other companies, applying lower degrees of transparency, have difficulties disclosing certain information due to high competitive markets and exploiting competitors. Mr Röchle from Teekampagne (F) suggests to share the information from each company's balance sheet with the customers, for the cause of a better trust relationship and a higher degree of transparency.

General Opinion

All companies interviewed have a positive opinion related to a social business label but some of those, excluding BaSoBu (A), Kattendorfer Hof (C) and Viva Con Agua (H), do see a negative side in the introduction of a social business label as well.

The positive and negative aspects of introducing a social label are comparable to benefits and drawbacks of existing labels. Positive aspects are amongst others things, the effect of supporting buying decisions, by helping customers classifying the product and the validation of the whole company instead of only a company's product, which reduces opportunities for green washing. Another positive aspect of a social business label stated by BaSoBu (A) could be an affordable price, when deciding to choose a similar low price as for the SEM, as fair-trade logos are too expensive for some social oriented businesses. Furthermore, a predatory market would support the price competition between labels and reduce the price for other labels. Mr Mirbach from the Kattendorfer Hof (C) perceives an increasing interest of consumers to inform themselves about different aspects of products. Negative aspects of labels, are the confusing effect on customers with rising numbers of labels, the high prices for receiving labels, difficulty of creating a social business label, excluding other players with labels and the dangers of belonging to a recognized group. Mr Waldenstein from Coffee Circle (B) wouldn't support a social business label with focus

on the end-consumer, instead he would prefer a social business certification system in sense of an external auditing confirmation to support further social investment. Mr Lübbermann from Premium Cola (E) is convinced by the mission of many labels, but disappointed by the negligent controls, as well as Mr Räuchle from Teekampagne (F), who shares the opinion about the problem of insufficient controlling of label user by label issuers. Mr Eckert from Coffee Circle (B) sees a minor difficulty in a social business label implementation, specifically that the majority won't use this label due to a missing generally accepted definition of social business and the varieties across social businesses.

Mr Adrion from Viva Con Agua (H) states that in his opinion social business should provide potential investors with more incentives than just the prospect of supporting a charitable project, but without compromising the autonomy of decision. Moreover in his opinion profit-maximisation is not bad per se, but depends on the motivation for the use of this profit. Mr Stanzus from WeGreen (I) goes one step further and considers a very broad definition for social businesses by which, social businesses are businesses with a higher ethical purpose and do not primarily focus on profit-maximisation.

Improvement solution

Coffee Circle (B) and Teekampagne (F) could not provide additional suggestions for the improvement of the social business label, which weren't already included in the previous sections.

BaSoBu (A), LemonAid (D) and Quartiermeister (G) would demand a competent supervisory authority in a social business label, which is able to generate an authentic image for customers through the acceptance of only authentic social business members. Premium Cola (E) and VcA (H) suggest indicators for a better examination of potential social business label members' "socialness". Indicators such as 'values' or 'social return', measuring the social impact on the environment and society, could be measured by 'social auditing' and a social 'integrity check' in which the social focus of a business is estimated on basis of their financial orientation with the help of their balance sheet and other financial information. Other improvements of this label from the perspective of label-users and stakeholders are suggested by BaSoBu (A), Kattendorfer Hof (C) and Quartiermeister (G).

Quartiermeister (G) and BaSoBu (A) demand an affordable price for label users, which are or will be social businesses, but who might not be willing or able to spend much money on a label. Mr von Mirbach from the Kattendorfer Hof (C) demands another criterion taking into consideration the social treatment of employees, as social businesses do not seem to be very authentic when spending money on social projects, but treating employees under non-social conditions. Mr Triebel from BaSoBu (A) is proposing the introduction to customer similar to the 'Stiftung Warentest' appearance with different degrees of "socialness".

Additional interview insights:

Table 4: Cross-Case-Analysis results of additional interview insights

Section	Activities	A	B	C	D	E	F	G	H
Trading	Third world trading	<	<						
Donation system	Association (attached)		<						
	Association (detached)								
	Association (internal)			<					
Social direction	gGmbH (charitable limited)	<							
	No association					<			
	Value chain						<		
Donation in third world regions	Members (association)		<						
	Region of origin (third world)				<				
	Region of origin (consumption)						<		
Marketing system	One region		<						
	Different regions				<				
	Limited quantity / high price								
	Limited quantity / low price								
Marketing system	Great quantity / low price								
	Niche market	<							

Trading

Globalization led to decreased costs of transformation in the flow of information and goods, which has the potential to enable a more direct relation between customer and producer. This allows applied concepts of social businesses, such as Coffee Circle (B), LemonAid (D), BaSoBu (A) and Teekampagne (F), to be adapted to almost all

products that have to be imported from other countries, particularly those sourced from the third world.

Donation system

In Germany a social business form of company does not exist, which is why the participants of this thesis chose conventional types of companies, mostly company types with limited liabilities, such as the German GmbH model. Those conventional types of business are restricted to donate above a given limit and have to pay taxes for the donation made. Because of this rule the interviewed companies have different strategies for donations. Coffee Circle (B), LemonAid (D), Viva Con Agua (H) and Quartiermeister (G) have similar concepts concerning the donation system. All of these companies have an additional association receiving the entire donation from the daily business of these companies; by that procedure the limitation problem and the tax liability get circumvented. Teekampagne (F) donates the money not to an association related to the company, but transfers it as project-linked financing to the WWF. Kattendorfer Hof (C) compared to this is organised as an association, in which the members pay a monthly fee to the farmers/workers and have a voice to co-decide about the future range of products. Vice versa the consumer receives the subscribed products. A form of company that is not bound to the donation restriction is the 'gemeinnützige GmbH' (gGmbH). BaSoBu (A) uses the gGmbH form of company, which is comparable to a limited liability company with the obligation to donate all profit generated. As opposed to this Premium Cola (E) has no association; they distribute all money to their supply chain or customers.

Social direction

The interviewed companies, all social to some degree, have different foci on their social orientation. The comparison of their social activity is conducted, without taking any publicly available fair-trade label and organic label into consideration.

Premium Cola (E) and Kattendorfer Hof (C) are social towards the customers and the value chain in different ways. Premium Cola (E) is social towards everyone in the value chain in the sense that wages are raised and prices are reduced if possible. Furthermore customers are informed about potential

flaws. The Kattendorfer Hof (C) is social towards members in the sense that they can co-decide about the produced products, in price and type, and learn about the origin of the products. Coffee Circle (B), LemonAid (D) and Viva Con Agua (H) are social towards the people in the region of origin, mostly in third world countries. Quartiermeister (G) is social towards the people in the region of origin respectively to the people in the region of consumption, because Quartiermeister (G) is produced and consumed in the area of Berlin and supports charitable projects in this area. Teekampagne (F) takes it a step further and acts social towards the people in the regions of origin and the customers, by offering a high quality product at a reasonable price.

Donation in third world regions

Mr Räuchle from Teekampagne (F) criticised the sustainability of charitable work with the common duration of 3-5 years, which often has the consequence that the regions supported are sliding back into the previous situation when the project is completed. He emphasizes the importance of conducting charitable work independently of duration and in way that makes people of those projects independent from furthermore support. Teekampagne (F) and Coffee Circle (B) have different projects in one region. Teekampagne conducts charitable work in Darjeeling, India and Coffee Circle in Ethiopia. Thereby the region gets supported sustainably, but the downside is that fewer regions get help. LemonAid (D) supports different projects in different source regions. Viva con Agua (H) supports different projects in different regions, especially in non-source regions, as they sell water to be able to build wells in waterless regions. Their projects must be sustainable to have a long term effect, otherwise this action could be perceived as green washing.

Marketing system

The participants do compete in the food sector, but their products can be classified into different markets. LemonAid (D) and Coffee Circle (B) are selling small numbers of their products as premium product. Qualitatively, meaning more money per unit. A fix donation amount per unit might be more interesting for products in the premium market, as their margins are bigger than in the mass market.

Teekampagne (F) is in the position of selling a premium product whose quantity is limited by nature, yet due to economisations in other fields they can afford to fair-trade this product and sell it for a reasonable price and up-front payment. Kattendorfer Hof (C) can be sorted into a category similar to Teekampagne, with the difference being that the farm is not trading, but cultivating its own crops. Viva con Agua (H), Quartiermeister (G) and Premium Cola (E) are selling a large number of their products as mass-market products. Quantitatively, meaning more bottles for little money. A fix donation amount per unit might be less interesting, because their margins are too small, instead a donation as a percentage of the profit could be more applicable. For BaSoBu (A) no comparable data is available, because this product is very exotic, in this frame BaSoBu serves a niche market.

Standpoints within the SB food community:

It can be stated that the members of this small group of social oriented businesses all have their own opinion about the idea of a social oriented business and the implementation of it. However their opinions do not diverge too much from each other, so that discussions with trade-offs on all sides might lead to a generally accepted construct of a social business label.

DISCUSSION

This review answers the research questions and adjusts the propositions, which appeared during the development of this study. Furthermore a potential social business label suggestion is being proposed on the basis of the conducted interviews.

Adjusted propositions:

P1: “Companies should base their decision of choosing between a social business label or an own brand on their individual situation and the label members” – because the brands advantages are the labels disadvantages and vice versa.

P2: “In the absence of ‘information overload’ social business labels should be preferred to consumer agents.” – Consumer agents serve mainly idealistic people, because the prestigious image

reflection effect on to the buyer of such products does not occur in an anonymous environment such as the internet. Consumer agents are becoming increasingly interesting for consumers in case of “information overflow”, when numbers of social labels rise and blur the true meaning of social business, as currently perceivable with organic labels.

P3: “Social business labels are more credible than other labels, because the whole company is tested instead of various products of one company.” – As social business labels do not find application on the German food market yet, this proposition could not be confirmed by the participants of this study. However, the idea of controlling and evaluating the whole business instead of single products seems to be a good solution to most of the participants, because companies are bound to prove social behaviour in every aspect of the company instead of just a few aspects such as single products. Thereby the incentive to use social business labels to green wash a company’s image is lower than for many organic or fair-trade logos.

P4: “All forms of companies without the primary aim of profit maximizing can positively influence the trust relationship between customers and producers on the German food market.” – Even small steps are beneficial for the progress to a better customer-producer relationship, though a too early exclusion of potential social businesses would be hindering.

Research-questions:

R1: “Would the Social Enterprise Mark have an impact on the social business sector in Germany or is this label redundant?” – The SEM would not have an impact on the German social business sector and should not be adapted one-to-one on the German market, as the interviewed social businesses criticised too many aspects of this label. Taking this development as a basis, the SEM was rather used as a template for new criteria of a possible social business label in Germany.

R2: “Would social business owners in the German food industry prefer alternatives to labels to foster the consumers’ awareness for social business products?” – Some of the reviewed social businesses would prefer alternatives to labels or at least would

improve the existing criteria for the social business label SEM in England.

R3: “Would social business in the German food industry be in favour of a social business label?” – Taking into consideration the participants’ impression of labels influenced by the current label situation on the organic products market and the criteria of the SEM used exemplary for social business labels, it is reasonable that many participants of this study are not completely convinced of the idea of a social business label. Most of the participants would however change their mind about labels when all criticism on labels that they mentioned would be adjusted and improved.

Suggestions for a SB-Label:

The social business label concept could be organized in the style of the German ‘Stiftung Warentest’-system, which is according to the GfK Study in the Pech-Lopatta et al., 2011 article the most trustworthy control foundation within the customer base. This system could provide every company tested, by an annual social business grading in different degrees, with a social business label, instead of just providing some specific companies that meet the exact criteria set respectively the highest degree of “socialness” with a social business label.

The basic criteria for an alternative social business label on the German food market could be roughly arranged in the following way, whereas the degree of “socialness” depends on the outcome of criterion 2, criterion 4 and criterion 6.

Table 5: Alternative criteria set for a social business in the German food industry

Criterion	Description
1	Have social / social and environmental objectives and an association cooperating with the social business.
2	Independence, with more than 50% of shares in house! Those should be in possession of the owner(s) respectively association and foundations in equal shares, to remain independent from debt capital and investors. <u>Optional:</u> social degree improvement, by adapting a limited commercial partnership under the above stated conditions.
3	The social business should earn 100% of its income from trading. Only associations are allowed to receive donations, independently from the business.

4	Distribution of money to socially beneficial purposes is estimated by each company’s own fixed-distribution-amount-per-sold-item measure.
5	On dissolution of the business, all residual assets are distributed for social purposes.
6	At the end of the year the social business must be able to demonstrate achievement of the social / social and environmental goals determined in criterion 1. <u>Precondition:</u> Use of ‘Open Balancing’, for better controllability of the label issuer.

Those criteria are annually tested for consistency.

Additional improvement suggestions

Many participants criticised the membership of a label with the risk of losing their credibility to one bad seed in the label union. To minimize this fear a consortium of label users should have a say in the decision over taking a new company into this group of label users. The consortium should not have more than 50% of decisive power, so that only in the case of all members voting against a new member, can the consortium deny a new company the label. This power sharing with the members is possible, because the label gains in importance the more members it has, meaning that omitting too many businesses would decrease everyone’s potential. At the same time the other 50% voting power by the social business administrator testing the criteria on potential members guarantees for the sole inclusion of fit members meeting the conditions. Furthermore the social integrity of those firms should allow for a rightful adjudication. The degree of “socialness” must then be estimated by the label organisation.

At the end social businesses can only be controlled sufficiently with adequate fees. Some business might argue that fees are too high or could be invested into social issues instead, but on a long term perspective social businesses could very likely help more people by investing into a social business certification system. This is because it might increase people’s perception of social business products, which could lead to an increased sales volume. Additionally, it seems a union of social businesses is more capable of attracting attention more efficiently than individual social business acting alone. It has to be kept in mind that this social business movement is in a very early stage and has to generate attention in opposite to the organic and fair-trade movements, ergo a strategy of stimulating customer perception should be adapted.

In this constellation the measurement of a social businesses success is not crucial for a social business label, because the criteria for receiving this label or the status of being a social business are independent from financial success. Nevertheless it should be kept an option to include the indicator, 'social return' into the evaluation process of the businesses degree of "socialness", in which the social and environmental impact on society is measured with the help of 'social auditing' (Cooper, 2003). The decision for approving a company to the social business union should be made amongst the hard and easy measurable criteria with the help of soft factors, such as common sense suggested by Mr Adrion (VcA), which could be tested by the consortium of social business owners.

Taking this improved social businesses label suggestion as a basis and rejecting the governmental supervised organisation form (gGmbH) for social businesses, it is to be considered if the last measure, the social consumer agent, which suggests the customer a social alternative to the products searched for, should be recommended as a measure for social businesses certification systems on the German food market. The suggestions made for improving the social business label could be sufficient for the social business owners interviewed for this study, although not all of them were convinced by the concept of a label. This issue could be revised by implementing a consumer agent approach in combination with the social business label based on the 'Stiftung Warentest'-system. This combination would result in a system similar to that of WeGreen and Barcoo, where the products barcode is scanned with a smartphone and the information is then available to the concerned customer, which could substitute the on-the-product printed label. This would have the advantage that costs are reduced and the information is easily updated. Furthermore the label issuer would have control over publishing the valuations of every company tested instead of just being depend on the companies will to publish their grading on the products, as seen in the example of 'Stiftung Warentest'. Another advantage of using the 'Barcoo'-System is that this system, as an information hub, does include various sources for other information which the customer would like to know about. Meaning the distribution of this system would be accelerated by existing platforms, giving customers additional information

about products they already wanted information about anyway. By using this application the customer will automatically see the categorization of the product, social alternatives and might partly base the buying decision on this information. One downside of using a non-print label is that the consumer type only buying this product for image reasons would have a decreased incentive to buy this product. Another issue of the digital label is the dependence on the success of the barcode scanner, meaning the dispersion capability of this or comparable applications. This is where each social business would have to decide between a label printed on the product and the cost-efficient digital label.

An initial focus could be on people with a higher educational background, because those are considered better informed about labels than those with a lower educational background (Weiss, 2008). Based on this outcome and the precondition that people with a higher educational background have higher income level companies could funnel their labelling decision on the target group, higher earners.

Limitation and future research

According to the MORI study in 2000 and it's applicability to the German market, due to the similarity of the British and the German market, the interest rate of 90% of the public in social activities of firms could be a huge potential for social business in Germany, especially as currently only one third of this demand is met (Hines et al., 2000). If this trend should be confirmed by future research this certification system in form of a social business label, introduced, examined and adapted to the German food industry in this thesis, should be implemented early, either printed or digital, in the market to secure an important position as a pioneer and to control the term social business in Germany. This social business label is to be considered a basis and a guideline for a social business labels implementation in the German market and is open for further adaption as long as it supports the idea of social business.

This research on a social business certification system was primarily based on insights from social oriented businesses and focused on the demands of the potential label users. Before the actual

implementation of this improved social business label additional research should be conducted, specifically the consumers' need for such labels and their demands on the criteria should be taken into consideration.

ACKNOWLEDGEMENTS

The author wants to thank Andreas Triebel (BaSoBu), Moritz Waldstein-Wartenberg (Coffee Circle), Mathias von Mirbach (Kattendorfer Hof), Paul Bethke (LemonAid), Uwe Lübbermann (Premium Cola), Thomas Räuchle (Teekampagne), Peter Eckert (Quartiermeister), Benjamin Adrion (Viva Con Agua) and Maurice Stanzus (WeGreen) for their contribution to the research.

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