

## **Social Enterprise as Collective Action: Mobilizing Resources for Mass Market Success**

In recent years, there has been an influx of research on the ways social movements shape the economy, and particularly on the role they play in fostering entrepreneurship and industry emergence. At the same time, *social entrepreneurship*, the pursuit of social change through market activity, has become a popular concept and appears in the curriculum of the world's leading business schools. Yet, we have little understanding of the possibilities and limitations of social movements' efforts to affect large scale social change through entrepreneurship.

Main theories of entrepreneurship motivated by the pursuit of social change highlight the limitations of social movements' entrepreneurial efforts in large established industries. Theories of social movements in emerging industries suggest that the influence of social movements may be limited to nascent industries. This is because the resources and competencies that allow movements to foster industry emergence are different from those needed for success in mature industries. Resource partitioning theory suggests that the entrepreneurial influence of social movements may be limited to small, differentiated niches that emerge at the margins of concentrated homogenous markets. First, this is because the resource space available to specialist organizations is theorized as fixed or exogenously given. Second, in resource partitioning theory, the movement's ability to legitimate specialist organizations relies on interactions in dense interpersonal networks that can only function at small scale. Finally, theories of social enterprise hybrid organizations suggest that such organizations would not be competitive in high profit industries due to the challenges of their hybridity. Such challenges include the market disadvantage stemming from the constraints of the mission on business activity and illegitimacy discounts by key audiences on which the social enterprise depends for resources.

This paper analyzes the exceptional case of Organic Valley, an agricultural cooperative that defies these expectations as a mission-driven organization that is also a leader in the organic dairy industry. With \$1 billion in annual sales and an ambitious social and environmental mission, Organic Valley is arguably the most successful social enterprise in the United States. This unique success relies on the cooperative's innovative hybrid organizational form that combines elements of business and social movement organization (SMO). The paper conceptualizes SMO/Business hybrid as an organization that pursues social movement goals using commercial methods. By contrast, prevalent organizational theories understand social

enterprises as Business/Charity hybrids. While Charity/Business hybrids typically provide social services or employment to the underprivileged, SMO/Business hybrids serve as vehicles for contestation and change of the social and economic order.

Organic Valley's main mission is to provide consumers with organic products and organic family farms with a pay price that would support their long term economic and environmental sustainability. The cooperative's business strategy is designed to ensure a high and stable pay price for farmers, rather than maximize profit or shareholder value. While this mission indeed puts Organic Valley in a competitive disadvantage in the organic dairy market, the cooperative has leveraged its SMO competencies to mobilize resources needed for its success from key stakeholders: raise equity capital from social investors, gain market premium from customers, benefit from skilled employees who are compensated below market rate, and enjoy commitment and cooperation from its farmer-suppliers. Organic Valley also uses mobilization to expand the resource spaces it relies on: expanding demand resource space by mobilizing consumers and retailer customers to switch to organic products; and expanding supply resource space by mobilizing farmers to switch to organic production.

The paper makes several theoretical contributions. It contributes to theories of social movements and industry emergence by showing that movements can adapt their capabilities to generating social and environmental change through direct involvement in established industries. Using mobilization, SMOs can invest market relationships with moral/political meaning and secure the resources needed for their mass market success. The paper contributes to resource partitioning theory in two ways. First, it helps move beyond the assumption that resource space is exogenous and fixed, demonstrating that social movements can use mobilization to increase the dimensionality and thereby expand the supply and demand resource spaces available to them. Second, the paper shows how social movements can adapt their strategies and legitimate specialist organizations in mass markets, using brand management instead of communication in dense interpersonal networks. Finally, the paper contributes to the scholarship on social entrepreneurship by theorizing SMO/Business hybrids, and showing how such social enterprises can use mobilization to overcome common challenges of hybridity: turning *illegitimacy discounts* into *legitimacy premiums* by key stakeholder audiences, and secure from these stakeholders resources that offset their competitive disadvantages.