

# **Perception of Competition Among Social Enterprises**

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## **Abstract**

This paper examines how social enterprises – organizations that use marketplaces to create both social and economic value – compete with one another and how they perceive of other social enterprises. I conducted a study in which I interviewed key executives of social enterprises in the second-hand textile marketplaces within North America and examined their perceptions of rivalry. My findings suggest that social enterprises categorized and developed mental models for how they perceived rivalry with other social enterprises. Specifically, the categorization of the type of social value that another social enterprise creates, and a subsequent identity comparison and orientation, led to different rivalrous responses: compassionate, marketplace, and ideological. My study builds upon perceptions of rivalry and examines a growing form of organizing: social enterprises.

**KEYWORDS:** Competition; Organizational Identity; Perception; Qualitative Research; Rivalry; Social Enterprises

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## 1. INTRODUCTION

Goodwill's failure is a story of numerous poor management decisions set against the backdrop of an increasingly competitive retail environment for second-hand goods. Coming together, the two factors were a fatal combination. (McFarland, Gray, & Andrew-Gee, 2016).

Goodwill Industries of Toronto was a cornerstone for many disabled and disadvantaged people who depended on the social enterprise for employment resources. Due to the increased competition within the second-hand textile industry, Goodwill Industries of Toronto had to close its doors, putting 430 employees out of work (Miller, 2016). Social enterprises, such as Goodwill Industries International, The Salvation Army, and Society of St. Vincent de Paul, have collected and sold second-hand textiles to fund their diverse social missions, such as feeding and clothing the poor to training and providing jobs for members of marginalized communities. As these social enterprises vie for resources, such as second-hand textiles to fund their social missions, other social enterprises can see an opportunity and enter a space to carve out a segment of the market for themselves. To date, little is known as to how social enterprises compete with one another.

In this paper, I build theory on how social enterprises experience and respond to competition. This gap is important for three reasons. First, there are more social enterprises than ever before. For example, one form of social enterprise, the benefit corporation (B-Corp), has received much traction (Rawhouser, Cummings, & Crane, 2015). A B-Corp is a form of social enterprise that places importance on both economic and social goals; there are currently more than 800 B-Corps in existence (Xiujian & Kelley, 2015). It is important to understand how these growing numbers of organizations experience and respond to competition in order for regulators to create policies that enable and enhance these organizations' abilities to create social value.

This is especially important as governments may have a hard time in dealing with certain issues, such as homelessness, and this is a way that social enterprises can fill the void and step in to ensure that these issues may be solved through market mechanisms.

Second, social enterprises currently work to create tremendous social value in their marketplace. For example, Society of St. Vincent de Paul has helped more than 14 million people through visits to prisons and hospitals (National Council of the United States Society of St. Vincent de Paul, n.d.), whereas other social enterprises concern themselves with feeding and clothing the poor. Society of St. Vincent de Paul collects and sells textiles to fund its social mission as more entrants compete to collect textiles. How economic competition influences their efforts to create social value has important implications for whether they can create such social value through market mechanisms.

Third, collectively, social enterprises are working to enact social change (Santos, Pache, & Birkholz, 2015). The amount of social value that they can create may be limited if there are many social enterprises competing with one another to create economic and social value as it may disrupt, or limit, their ability to enact such social change. It is socially important to understand how these actors engage with one another to prevent the erosion of any social value that social enterprises as a collective can build upon.

To build theory on this important gap/topic, I examine the second-hand textile marketplace. This context is appropriate because of the historical nature of the industry and the increasing competition for the collection and sale of textiles (Berdine, Parrish, Cassill, & Oxenham, 2008). The large presence of social enterprises that largely depend on second-hand textiles to fund their social purpose are now finding that there is increased competition within the

second-hand textile industry. This increased competition has led some social enterprises to react to competitors in diverse ways. For example, some social enterprises have placed negative labels on for-profit textile recyclers, calling them “bin bombers.” These bin bombers are for-profit enterprises that drop donation bins in a social enterprise’s region to collect textiles. These for-profit enterprises are perceived as having encroached on the livelihood that those regional social enterprises have depended on to fund their social missions. Existing social enterprises must now compete for textiles with these for-profit enterprises; this exacerbates whether a social enterprise can continue to create both social and economic value.

To address this gap, I ask the research question: How do social enterprises perceive of their competitive rivals in the second-hand textile industry? I engage in a qualitative study and examine how social enterprises respond to their different competitors and examine for-profit competitors to distinguish the unique ways that social enterprises view competition differently than traditionally-studied for-profit firms.

The findings suggest that social enterprises experience a range of rivalrous responses toward other social enterprise competitors in their space. While research on the perceptions of rivalry among private and not-for-profit organizations has emphasized competitive, cooperative, and cooperation responses (Porac, Thomas, Wilson, & Kanfer, 1995), my findings suggest that social enterprises experience a broader range of rivalrous responses. My analysis reveals that there are three major rivalrous responses that social enterprises exhibit toward one another; namely, marketplace, ideological, and compassionate forms of rivalry. Figure 1 details the categorizations that a range of social enterprises adhere to. For example, some social enterprises would not see another social enterprise as a competitor. In a sense, even though they both compete for the collection of second-hand textiles to fund their mission, they engage in more

compassionate forms of competition. This compassionate nature towards other long-standing social enterprises shows that they collaborate with each other on various initiatives. On the other extreme, some social enterprises have received disdain from numerous others in their market space. For example, some long-standing social enterprises viewed for-profit “bin bombers” in a much more negative light. In these instances, more aggressive forms of competition took place, such as seeking to outlaw these for-profit bin bombers by approaching local levels of government, with the goal of having the practices of for-profit firms outlawed.

Theory building on this topic potentially contributes to the study of social enterprises in the following ways. First, it potentially reveals that there are distinct types of rivalrous responses that social enterprises engage in, such that a social enterprise may compete differently with another social enterprise based upon how they perceive of each other’s social and economic value that they create. For example, if a social enterprise perceives that an outsider is violating their collective identity, they may engage in ideologically-based rivalry and try to shame and sanction the outsider. Second, my findings have the potential to extend upon prior work on how for-profit enterprises evaluate competitors within their pre-defined market (Porac et al., 1995). In this research, I examine how social enterprises evaluate other social enterprises. This differs from research on for-profit organizations because of the two types of value that social enterprises aim to create: economic value and social value.

## **2. LITERATURE REVIEW**

To build theory on this topic, I examine two literatures on rivalry and social enterprises. Three observations from the literature inform this thesis.

## **2.1. Organizational rivalry of for-profits, not social enterprises**

Organizations perceive of, and compete with, competitors differently (Porac et al., 1995). For example, Porac et al.'s (1995) original work on perceived rivalry examined how for-profit Scottish knitwear companies categorized and perceived of rivalry among economic competitors. As a part of this work, competitors have typically classified rivals based upon attributes such as the size of the competing firm and the suppliers that provide goods. Since that time, numerous other scholars have examined how organizations perceive of, and compete with, rivals (Kilduff, Elfenbein, & Staw, 2010). Specifically, in the study by Kilduff, Elfenbein, & Staw (2010), the authors show that characteristics, such as the geographic location of the university-level basketball teams, can influence the intensity of rivalry between competitors such that team experiences stronger feelings of rivalry with other teams that are closer in proximity to themselves. Past literature has also defined rivalry in economic terms, such as market power and multimarket contract (Mas-Ruiz & Ruiz-Moreno, 2011). To date, less is known about how social enterprises perceive of rivals and how they compete. This is interesting because social enterprises compete in economic marketplaces to create social value rather than just economic value.

One of the issues in the literature is that it is not known how competition around not only economic goals but also social goals influence social enterprises' perceptions of rivalry. For example, Miller, Grimes, McMullen, & Vogus (2012) argue that social entrepreneurs can be driven by compassion to alleviate the suffering of others. This has interesting implications for rivalry because of the shared compassion that social entrepreneurs may have with others. For

example, does compassion play a role in how social enterprises deal with competitors such that they may view some competitors more compassionately than others? Extending on this research, one of the questions asked in this paper is whether compassion can extend to how social enterprises compete with one another.

Research has also examined different rivalry typologies in which firms classify other firms based on different criteria, such as the interrelatedness of firms' activities (Jackson, Nelson, Lei, Krug, & Wright, 2014). Some firms have a more softened view of different competitors, whereas they may view other firms in a much harsher light. Drawing on Dahl, Kock, & Lundgren-Henriksson (2016), competition can be viewed as firms that have both a competitive as well as a cooperative relationship with other firms. Of interest in my research is whether a cooperative nature between social enterprises can influence the type of rivalrous response that they exhibit. For example, if a social enterprise has been cooperative with other social enterprises, can this be a catalyst for whether they compete aggressively with each other, or if they would rather be more accepting and show signs of compassion to other social enterprises that try to produce similar types of social value, such as serving a similar marginalized group?

The emergence of new players within an industry, and how the mental models of managers can lag changes in the environment, has been studied (Reger & Palmer, 1996). Managers may have difficulty in changing the way that they view their environment because of factors such as information overload. The environmental change can be the way in which organizations compete for resources or the introduction of new forms of competition. Within my research study, there were new forms of competition that have not historically existed. Textile recycling has historically been the territory of not-for-profit organizations as a way for them to

fund their social missions. Recently, for-profit organizations have emerged and have established themselves while trying to change the way in which people think of textile recycling as only being within the realm of not-for-profit organizations.

Other research has found that competition can take on an ideological nature since social missions are inherently ideologically values-based (Tracey & Phillips, 2016). Outside stakeholders stigmatized the social enterprise examined in the study and this led it to experience a crisis in its organizational identity. It is important to note that few typologies of competitive rivalry exist for other types of organizations. Industries, and the organizations that compose them, are highly diverse in nature (King et al., 2011). Research has shown that distinct types of organizations perceive of, and engage in, rivalry in different manners. For example, some organizational types, such as start-up companies, engage in cooperative rivalry by sharing resources (Amezcuca, Grimes, Bradley, & Wiklund, 2013), while others, such as those in the financial sector, tend to be highly competitive around resource sharing (Bowers, Greve, Hitoshi, & Baum, 2014). Despite research on differences in organizations influencing types of rivalry that emerge, relatively little is known as to whether there are distinct types of rivalry specifically for social enterprises.

## **2.2. Social enterprises as an emerging competitive organizational form and identity**

Social enterprises are distinct from for-profit and not-for-profit organizations in that they have conflicting goals: goals of creating economic value and goals of creating social value (Battilana & Lee, 2014; Battilana, Sngul, Pache, & Model, 2015). Therefore, while private companies compete to create economic value and charities compete to create social value, social

enterprises attempt to use marketplaces to create economic value, which then enables social enterprises to create social value. For example, in the context that I study (the second-hand textile marketplace), social enterprises (such as Salvation Army and Society of St. Vincent de Paul) compete to collect and sell textiles to create economic value that fund their social missions.

One aspect that is of interest in social enterprise research revolves around the hybrid identity that social enterprises have because of the existence of two organizational outcomes of creating social value using economic marketplaces (Moss, Short, Payne, & Lumpkin, 2011). The way in which social enterprises manage these identities has also been a focus of recent research (Besharov & Smith, 2013). Growing research emphasizes that the competing logics of economic goals and social goals can create tensions for actors within their organizations. For example, Pache and Santos (2013) studied social enterprises and found that how they managed such tensions strongly influenced their performance. While research on these tensions has focused on how internal factors influence the way in which social enterprises balance tensions, less research exists on how external factors, such as competition, influence social enterprises and how they manage such tensions as well as how competition influences competing identification processes.

Competitors have also typically classified rivals based on attributes such as the size of the competing firm and the suppliers that provide goods (Porac et al., 1995). Existing work on private firms, and how they identify with similar firms attempting to create economic value, has been examined (Kim & Tsai, 2012). Kim & Tsai (2012) examined the automotive industry and found that when a focal firm compares itself to a more reputable other, the focal firm tends to fare better on several dimensions, such as its sales growth. To date, less emphasis exists on how competitors relate, or identify with, the categorical similarities and/or dissimilarities of competitors and how this potentially shapes perceptions of rivalry. For example, do social

enterprises share a social enterprise identity? Do they share an identity around the social missions/goals that they have, such as dealing with a marginalized community, or do they share an identity around economic goals?

Research has also emphasized shared identity and cooperation between firms to create social value (Kistruck, Lount Jr., Smith, Bergman Jr., & Moss, 2016). Scholars (King, Clemens, & Fry, 2011) have studied the role of identity in establishing a certain type of organizational form. King, Clemens & Fry (2011) examined how the core elements of an organization are formed during the early point of their emergence. They specifically examined the roles that Arizona charter schools played in shaping the way in which education has been offered. Other research by Weber, Heinze, & DeSoucey (2008) examined the emergence of the grass-fed industry within the agricultural market. Namely, one of the assertions that they found was that “collective identities give rise to cooperative efforts to institutionalize the market category” (Weber et al., 2008: 547). This proves useful in examining how actors within an institutional field categorize and relate to their competitors. Namely, cooperation can be a form of interacting with competitors if they share an identity with each other, and an identity that they want to protect. As an example, within my research context, it could be seen as a not-for-profit that would be one form of identity, namely that ‘not-for-profit’ is an identity.

Glynn & Navis (2013) examined the role that identity plays in categorizing competitors into distinct groups. They assert that category prototypes are the minimum standards that organizations must meet to be considered in a category. In my research, this can be examined by viewing the second-hand textile recyclers as a part of a membership when looking at textile recyclers in general. One of the aims of my research is to examine the way in which identification and non-identification influence how social enterprises perceive of rivalry.

### **2.3. Social enterprises are diverse and competitive**

Managers must balance tensions of creating economic and social value while overseeing competitors in their marketplace. I believe that the evaluations of the social value created by social enterprises will have a strong impact on rivalrous responses. While there have been different typologies of social enterprises (Pache & Santos, 2013), minimal work exists on how they perceive of other social enterprises and the way in which they categorize rivals. In this research, I assert that social enterprises should perceive rivalry with other social enterprises differently than traditionally-studied for-profit organizations. I assert this for two reasons.

First, social enterprises are much more diverse than currently characterized in the organizational literature. Like other organizations, they have distinct characteristics such as organizational age (Porac et al., 1995). However, what makes social enterprises more distinct is that they have a range of social missions and a range of manners for creating economic value (Santos, Pache, & Birkholz, 2015). In the second-hand textile industry that I study, social enterprises have diverse missions. For example, Goodwill Industries seeks to collect textiles to raise funds to assist the disadvantaged and disabled in obtaining employment, while the Salvation Army collects textiles to feed and clothe the poor of a community. While Goodwill and Salvation Army tend to collect donated items at their storefronts and sell them, new competitors (with environmentally-themed social missions) tend to drop bins into regions and sell clothes to thrift stores in other North American and international regions.

Second, social enterprises compete to create both social and economic value. The second-hand textile marketplace has become increasingly competitive. This is evidenced by the recent

events of Goodwill Industries of Toronto closing its stores amid increased competition within the marketplace (Brazao, 2016). Social enterprises compete in an economic sense by using market mechanisms to obtain financial resources, and in a social sense to serve different disadvantaged groups and social issues (Battilana & Lee, 2014). To date, little is known as to how the efforts to create two types of value influence the way in which social enterprises compete. For example, scholars have argued that social entrepreneurs are driven by compassion (Miller et al., 2012). It is unknown how this compassionate nature of social enterprises and their hybrid goals influences their competitive activity to create both economic and social value. Also, if social enterprises do not view each other compassionately, what are other types of rivalrous responses that can be exhibited by social enterprises, and what are the factors that may influence said rivalrous responses?

To build theory on the way in which social enterprises view competition, this research is examining how social enterprises perceive of rivals based upon a variety of factors. One point of interest is the perception that social enterprises have based upon the two types of values that they aim to create: economic value and social value. In this study, I examine whether differences or similarities in the types of economic value and social value that social enterprises create can influence the type of rivalrous responses that they exhibit toward other social enterprises. For example, if a social enterprise perceives of another social enterprise as aiming to produce similar economic value and social value as itself, could this have an influence on the type of rivalry that can exist between these two social enterprises? If a social enterprise perceives of their competitors as having similar social missions as themselves, would this induce a more compassionate form rivalry, such that they understand the plight of the social enterprise, or would they perceive a similar other as a threat to their identity?

I try to address the scant research that could possibly examine how social enterprises can initiate and bring to life another form of competition; namely, competition that is grounded in the social missions that social enterprises engage in. In this research, I ask: How do actors in the second-hand textile space, namely social enterprises, perceive of their diverse competitors?

### **3. METHODS**

#### **3.1. Research Context**

Social enterprises within the second-hand textile industry were selected as the organizational case to examine the perceptions of rivalry that they have amongst each other. These social enterprises have missions that can be either environmentally-based or socially-based. To achieve their mission, social enterprises use market mechanisms (such as recycling textiles) to create both social and economic value. For example, Goodwill Industries International (GII) operates as a social enterprise, with its mission being “to enhance the dignity and quality of life of individuals and families by strengthening communities, eliminating barriers to opportunity, and helping people in need reach their full potential through learning and the power of work” (Goodwill Industries International, n.d.). Textile recyclers collect a range of textiles and use this mechanism to make a profit. To collect donations of textiles, textile recyclers often induce people to donate them through giving money to charities.

To meet its mission, textile collectors sell textiles to simultaneously increase their social and economic value. Social enterprises operating in the second-hand textile industry serve as an excellent sample for examining the perception of rivalry for the following three reasons. First, there are a broad range of social enterprises competing with one another. For example, these

social enterprises can have goals of creating different kinds of social value as well as different kinds of economic value. There are also differences based on whether the social enterprises are for-profit or not-for-profit. As detailed above, GII's mission is predominantly social. A for-profit social enterprise with an environmental mission is GreenDrop (GreenDrop, n.d.). GreenDrop collects donations of textiles and uses the funds from the collection of textiles to support a range of other not-for-profits. An example of a B-Corp is United By Blue. Founded in 2010, they have an environmental mission, and their goal is to remove one pound of trash from oceans and waterways for each product that they sell (United By Blue, n.d.). The second-hand textile sector provides a broad range of not-for-profits, for-profits, and B-corps with diverse social missions and economic goals from which to build initial theory.

Second, although social enterprises have been treated as a relatively new phenomenon, there is a long history of social enterprises using the second-hand textile industry to compete to finance their missions. GII was founded in 1902, and from its inception, it used the second-hand textile industry to provide much-needed employment to people that had limited employability. The Salvation Army was founded in 1865 and it uses its thrift stores to sell donated items, such as textiles, to support and fund its charitable work. Another long-standing social enterprise is the Society of Saint Vincent de Paul, which was founded in 1833. This long history has allowed competition and perceived competition to emerge.

Third, there is a range of observable competitive activities for textiles. One of these activities is the apparent competitiveness toward other textile collectors. Donation bins have received much attention from social enterprises as the tactics used by organizations that drop bins have been regarded as hostile. The Governor of New York, Andrew Cuomo, recently signed into law a bill that would reduce the number of textile recycling bins, noting attention from the

NYPD, which states that, “these illegal boxes do not serve those in need” (Momberg, 2015). SMART works to remove textiles from landfills, and has been in support of the legislation regarding the reduction of textile recycling bins that appear in communities, sometimes unannounced (Momberg, 2015). Social enterprises that rely on the collection and sale of used textiles to fund their social missions may compete with a wider range of textile collectors, including donation bins (Gould, 2016). Another observable competitive activity that textile collectors engage in is forming industry associations or coalitions like the Secondary Materials and Recycled Textiles Association (SMART), or produce education materials to try and convince potential donors of who they “should” donate textiles to.

### **3.2. Data**

To address the research questions in this paper, I selected a wide range of social enterprises in the second-hand textile sector. The classification of social enterprises that were selected included 20 not-for-profits and 11 for-profits. To examine the instances and severity of competition within the sector, various regions of different social enterprises within North America were sampled using semi-structured interviews.

The sample of 31 interviews were with 20 CEOs and 16 Directors of Operations of different regions of various social enterprises within North America. These individuals were sought out for interviews because they were the individuals responsible for balancing the collection and sale of textiles as well as the overall mission of their organization. The interviews were open-ended in nature and ranged from 17 to 55 minutes in length. Interviewees were asked to provide their opinions on who they viewed as competitors within their region and the different perceptions that they may have of various social enterprises. During these interviews,

regionalized competitive areas also emerged in which actors from diverse regions had differing levels of competition based upon geography and temperature. For example, the collection of textiles was noted to be more aggressive in the southwestern region of the United States due to the drier climate, which was more favourable for preserving the integrity of used textiles.

Because of these regionalized differences, the geographic breakdown of these interviews are as follows: 3 within Canada; 5 within the northwestern region of the United States; 9 within the Midwestern region of the United States; 9 within the northeastern region of the United States; 1 within the southwestern region of the United States; and 4 within the southeastern region of the United States.

The diversity of social missions among the social enterprises ranged from assisting the disabled and disadvantaged in finding employment to more core and overarching missions of meeting human needs in general by following religious beliefs. Social missions also overlapped between some of the social enterprises examined in the study, such that both social enterprises had similar social goals and had similar means of attempting to secure economic value.

### **3.3. Data Analysis for Research Question**

My coding process took on an iterative nature and followed a grounded theory approach by allowing theoretical constructs to emerge from the data (Yin, 2003; Glaser & Strauss, 1967). The coding also followed an inductive reasoning approach, and to enhance clarity, results were discussed between the coder and the supervisor. Any disagreements regarding operationalization were discussed until a consensus was reached. Table 1 presents an outline of the study coding.

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Insert Table 1 about here

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I began by focusing on how the different social enterprises responded to competitors, and sought out commonalities to categorize the responses. I went through the responses by first coding for rivalry and figuring whether perceptions were common among interviewees' responses. Second, with an understanding of competitors' rivalrous responses, I sought to understand why they had these responses. The coding of account revealed that they identify to varying degrees with competitors. Finally, this identification was influenced by their assessment of the social value they were purported to create. Two response variables emerged, including the tactics of competitors and how social enterprises responded to these increasing competitive threats.

For-profits had common themes of other not-for-profit social enterprises perceiving these for-profit organizations as unethical or particularly being damaging to the future collection of textiles. Bin bombers were perceived as being aggressive and deceitful by their competition. Here, the term "bin bombers" was used by not-for-profit social enterprises as an ideological attack on for-profit social enterprises that would place bins in locations such as parking lots to collect used textiles from donors that would drop off items in a bin. Warmer climate areas in this instance were viewed as more attractive for organizations to drop a bin in an area where people can conveniently drop off unused textiles. Not-for-profits that shared a social enterprise identification with each other were viewed as being more cordial, and the potential for partnerships between the organizations was higher. The threat of competition was not as prevalent amongst social enterprises that attempted to create different social value. Finally, not-for-profit that attempted to offer similar services (i.e. employment services to the disabled or the

disadvantaged) also exhibited the potential to have partnerships, such as through a workforce development standpoint.

The tactics, whether it is of competitors or how social enterprises respond to competitive pressures, were also examined. In this sense, several themes emerged for the two response variables. The tactics that competitors used when competing in the second-hand textile industry were viewed as being aggressive and deceitful, or outright breaking the law. As described by one executive, “That's kind of an example of the business ethics that these folks have. They'll just operate under the radar until somebody just forces them to either do it right or forces them out of business. They will be aggressive and assertive, and skirt every legal issue there is possible to collect these donations.” When examining how a social enterprise responds to competitive threats, common themes emerged among the various regions of one of the social enterprises examined in this study within North America. Some of these commonalities among responses included remaining static so that the status quo of operations was not changed, or to ignore the competition.

The additional sample consisted of 11 for-profit firms operating within the second-hand textile space. These organizations did not identify as social enterprises, focusing solely on shareholder value. This sample developed as a comparative sample to distinguish between how traditionally-studied forms of for-profit competition differ from the way in which social enterprises view competition. The for-profit firms followed traditional themes of how they viewed competitors, such as quality of products that they produced or the different market that they aim to serve, as suggested by Porac et al., (1995). The comparison of the two different forms of organizations (both for-profit and social enterprises) allows me to differentiate and contrast as to how social enterprises differ in the way that they perceive competition.

To arrive at the three categories of rivalry in the model, I observed certain common language and accounts, which led to first-order codes. These common language and accounts were then coded into the second-order themes. For example, compassionate rivalry showed responses that reflected a sense of admiration of, and cooperation with, other social enterprises that were creating social value within their market. There were also social enterprises that labelled other social enterprises as “friendly” competitors, which shows the compassionate nature that social enterprises can have with each other.

For the second-order theme of a marketplace rivalrous response, there were more aggressive forms of competition for the collection and sale of textiles. The first-order codes that supported this theme detailed responses that actively mentioned the competitiveness of the second-hand textile industry. For example, one interviewee actively recruited employees of a rival, which led to the rival to issue cease-and-desist letters and was told that the interviewee was no longer allowed in any of its stores.

The final theme of rivalrous responses that emerged was ideological rivalry. This theme centered around actively shaming and sanctioning rival social enterprises. For example, one interviewee actively tried to change the perception of donors of how recycling textiles can damage a social enterprise’s ability to create social value if donors did not donate to them:

We asked them, "Why are you guys allowing that?" they said, "It 's diverting from a landfill" We were quick to point out, "Yes, it does divert from the landfill but it also diverts from not-for-profit organisations who depends upon it." Their eyebrows went up and got a little bit embarrassed because that's an angle they've never thought of and one of those unattended consequences. We took that opportunity and that moment of guilt to broad the subject.

## 4. FINDINGS

To ground my analysis of how social enterprises perceive rivalry, I present my analysis of how for-profit competitors perceived competition in the second-hand textile space. This allows me to later contrast their perceptions with the social enterprise sample.

### 4.1. Organization entry and profit categorization

Potential market entrants, and the factors that determine why some firms decide to enter particular markets, has been a focus in entrepreneurial research. Moore, Oesch, & Zietsma (2007) detailed that market entry will most likely occur when there are many successful firms in an industry. Based on economic forms of competition, there are many determinants that factor into whether an organization views a competitor as a rival (Porac et al., 1995). Within my research findings, there were two distinct ways in which for-profit enterprises in the second-hand textile market categorized competitors: whether they share the same means of creating economic value and whether they have different means of creating economic value. The means of creating economic value is seen by whether they have a different client base, serve different regions, or whether production processes are different between firms. Competitors compare to new entrants based upon their products and services, and distinguish themselves by their means of creating economic value.

One example of the ways that for-profit enterprises exhibited distinguishing attributes from their competitors was the way that their products differ. One interviewee described the difference that exists between competitors in their market:

We generate a lot of sales out of used clothing. Most companies do buy them from either clothing graders, there are some companies that do nothing but cut rugs for wholesale and container loads to rug companies like ourselves.

These means of creating economic value are the ways in which the for-profit enterprises within the second-hand textile industry categorize new entrants into the market. These categorizations, in turn, assisted the for-profit enterprises to detail both their perceived rivalry as well as the competitive actions that they took toward other firms in the industry. One interviewee described a marked change in the industry and the proliferation of competitors, specifically competing around the same economic value:

That reality has completely changed now. It's hard to find any metropolitan area of significant size without 10, 20, or 30 different entities competing to collect used clothing. It's led to, really, almost like a paradigm shift in our industry.

#### **4.1.1. Profit categorization and perceived rivalry**

Based on the categorization process that for-profit enterprises went through upon a new firm's market entry, the perceived rivalry of the incumbent being either a collaborator or a competitor framed the way in which firms viewed one another. These similarities and differences in economic value led the for-profit firms to categorize others as collaborators or competitors. For example, if a firm entered the market and was categorized by competitors as creating different economic value (such as through a different production process or serving different clients), the firm was perceived by rivals in a more collaborative sense. This different economic value was seen as using different production methods from another firm or serving different customers in other regions, as competition is regionalized within the for-profit second-hand textile marketplace. One way in which a firm viewed another as a collaborator was by how they differentiated themselves from the competition. Participating in a trade association is one of the

ways that collaboration was seen between firms. Here, one interviewee detailed the importance of having a trade association:

It's very important that we coagulate our resources and try to send messages out to the public or to the politicians the best we can, because we certainly can't do it individually. From that point of view, it's very important that we have a trade association.

In contrast, if a firm entered the market and was seen as creating the same economic value as existing firms in the industry, then these existing firms would perceive of the new entrant as a competitor. For example, one interviewee from a for-profit textile collector detailed the relationships that exist between certain firms in the industry, such that those relationships become tense and led to viewing others as competitors:

Certain segments of the industry are now related to each other in the very aggressive, combative, cut throat way, which is something that we haven't seen.

#### **4.1.2. Perceived rivalry and profit actions**

The way that for-profit textile producers perceived one another led to specific actions, or ways of dealing with their competitors, in their environment. In this case, the two actions that occurred were competitive stances and collaborative stances with others in their market. For for-profit textile producers, there were unique instances of collaboration that existed among rivals. In this case, the collaboration that evolved was for the creation of economic value. One instance in which this prevailed was when one interviewee from a for-profit textile collector detailed the relationship that exists with his firm and a non-profit organization. This relationship was seen as beneficial as it allowed the for-profit textile collector to create economic value by receiving textiles that would be given to the non-profit organization:

We see the relationship with [non-profit organization] as really being integral to our business career for a number of reasons. For the past 100 years the used clothing industry in the US has been associated with charity.

Another instance of collaboration between firms was when one for-profit textile producer detailed the unique relationship that exists between different firms in the industry, and instances of collaboration, even amongst rival firms, were an occurrence:

At the same time, I might sell my arch-competitor goods that I'm long on and I have no choice.

A further instance of collaboration was seen when firms focused on the issue of landfills and reducing the number of textiles that end up in landfills. The for-profit firms saw their work as noteworthy, even to the dismay of some social enterprises that perceived for-profit firms as creating minimal social value. One interviewee described this collaboration with other for-profit firms by coming together to work on decreasing the number of textiles in landfills:

It changes the conversation and it brings it to a place where you know [a social enterprise] isn't necessary able to stand up and say, "All the for profits are bad". They are stealing away from the charities because the issue here is more about the lands fellowship. That's where the focus is turning.

Finally, there were competitive stances that for-profit firms in the second-hand textile industry took toward each other. These competitive actions stemmed from for-profits perceiving their rivals as competitors due to the same economic value that they create. The main competitive actions centered upon competing with rivals through economic means of price and the way in which the firms process the second-hand textiles for different uses. In this example, one for-profit firm detailed how the production process of their firm is better than others that may be offering comparable products:

We're unique and how we going to market, and we are a lot more integrated in our supply chains been most.

Competitors who attempt to create the same economic value as other for-profit firms viewed each other in a more aggressive light. For instance, one for-profit firm detailed a competitive stance used toward rivals and the resulting language further details how highly competitive the industry is, specifically if both firms compete by having the same economic value:

My competitors, we fight with them every day in the streets. My salespeople, they're fighting. It's very, very competitive.

The findings for social enterprises, and how they were different from traditionally-studied forms of for-profit competition (Porac et al., 1995), differed in the following ways.

#### **4.2. Perceived rivalry among social enterprises**

With an understanding of how private companies (non-social enterprises) compete, I now examine how social enterprises perceive rivalry. In this model, I build theory based upon my findings on a research project with Dr. Helms. In this research, I ask how social enterprises compete with one another and qualitatively examine interviews and texts documenting how actors from a range of social enterprises, in the same industry, perceive one another. Based upon my findings, I propose a model of perceived rivalry among social enterprises (Porac et al., 1995). This model proposes three new types of *competitive rivalry* that social enterprises engage in: *Compassionate rivalry* based upon collaborating with competitors and assisting them in the marketplace; *marketplace rivalry* based upon competing in the marketplace for resources and competing in industry for textiles; and *ideological rivalry*, where entrant is defined as deviant and where social enterprises attempt to shame and sanction their competitors. Figure 2 depicts an overview of the overall data coding structure for this study.

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Insert Figure 2 about here  
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Upon market entry by an incumbent, social enterprises first categorize the social value that the new entrant produces. Based upon that categorization, they then identify how they relate to the entrant based upon that social value. They then perceive these entrants based on the social value that is created. Finally, these categorizations of an identification with social value leads to competitive actions in their environment.

I propose that these types of competitive rivalry are shaped by the *characteristics of social enterprises* create in their context. Specifically, three perceived characteristics of social enterprises are examined: their *shared social enterprise identification* with other social enterprises, such that the identification is viewed as being a member of a same relational group; the *over identification* of those social enterprises to their own organization, such that they are too threatening due to their being too similar; and the *identity violation* as the entrant violates social enterprise's shared practices. I theorize that these characteristics will influence how social enterprises evaluate their competitors.

Below, Figure 1 provides a diagrammatic overview of how these characteristics shape the evaluation of competitors' social missions and the subsequent type of rivalry that they engage in.

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Insert Figure 1 about here  
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While private firms perceived rivals as competitors and collaborators and engaged in marketplace competition and collaboration, I found that social enterprises' perception of rivals

led to different competitive actions of *cooperation*, *mission competition*, and *sanctioning*. These actions were based upon the rival category they belonged to: *compassionate*, *marketplace*, and *ideological*. These competitive actions that social enterprises engaged in were based on the perceived rivalry that they had with others in the second-hand textile marketplace.

In the following sections, I draw from my findings and prior research to demonstrate how the characteristics of social enterprises shape competitive rivalry with other social enterprises. I discuss three different paths on how competitor characteristics lead to perceived rivalry, and the resulting actions that social enterprises take based on the perceived rivalry of competitors.

#### **4.2.1. Social enterprises' shared identification with competitors and compassionate rival-based cooperation**

My research on the second-hand textile collection context suggests that actors from social enterprises classify their competitors based on the purported types of social value that they aim to create. For the first path of what occurs when a social enterprise enters a marketplace, a social enterprise categorizes the entrant's social mission as socially valuable but serving different social goals, thus creating a shared identification as a social enterprise. Due to the differences in social goals, incumbent social enterprises did not view these market entrants as particular threats to their own identity of creating a particular kind of social value. They treated these social enterprises that aim to create different social value as friends and deserving of compassion, and subsequently, this led to actively cooperating with them in the marketplace.

The social enterprise categorization process began by the purported social value that being created by an entrant in the marketplace. For example, one interviewee described the

different social value that is being created between one social enterprise and another, and this segmented the social enterprises into groups based on the social value that they create:

There's a lot of overlap in program. We're very strong in employment services. [Social enterprise] is stronger in prison re-entry and welfare to work. [Another social enterprise] is stronger in clinical and physical therapy, children's services, traditional [social enterprise] is in that.

In describing a local, long-standing competitor, one interviewee reported that their different missions in the same region created a sense of shared community identity, such that the dollars are aimed at assisting the local community that both social enterprises strive to serve:

The reason for that is those dollars that are generated are kept local, and they provide services locally. That removes some of the burden from [organization name] and allows us to focus on our core mission of helping people get back on their feet and become more self-sufficient.

Competitors' missions, specifically if they produced different social value, would be evaluated as socially "good", necessary, and often taken-for-granted. Particularly, they evaluated the social mission of those competitors as shared such that they relate to the identification of other social enterprises. For example, one interviewee detailed the shared social enterprise identification that exists with other social enterprises because there is at least social value being created by others:

The non-profit side, we don't care if it's a charity or just a non-profit. Both obviously have some social purpose behind them.

Unlike private firms, which often do not have explicit social missions, social enterprises and the actors that compose them are motivated by compassion (Miller et al., 2012). I theorize that when social enterprises view other social enterprises' missions as shared – either by serving a cause, purpose, or group that produces social value – it is likely to temper their perceptions of the type of competitive action to take toward a competitor. This shared social enterprise identity

comes back to a “we” discussion where the social enterprises relate to the plight of other social enterprises that are trying to do good for the communities that they serve.

Within the findings, there were instances of social enterprises that talked in a friendlier tone when discussing others within their marketplace. Due to the shared social enterprise identification that some had with one another, there was an acknowledgment of other social enterprises’ plight to create social value in the marketplace. This distinguished a social enterprise’s view of other social enterprises in a more positive light. This, in turn, led to cooperative forms of rivalry, such as helping other social enterprises with their goals, such as assisting another social enterprise’s operations:

As a matter of fact, we've tried to help a few of them open thrift operations over the last ten years.

This was especially the case in instances when the social value being created by another social enterprise was not the same as another social enterprise’s social value-creating mission.

Due to the more compassionate nature (Miller et al., 2012) that some social enterprises shared with one another, more instances of cooperation were found. This was particularly the case of one social enterprise stating that they have collaborative relationships with another social enterprise:

I think we want to coexist obviously with non-profits and we have lots of collaborative relationships.

#### **4.2.2. Over-identification with competitors and marketplace rival-based mission competition**

When social enterprises enter another social enterprise’s market, and are perceived as being engaged in similar activities, I propose that a competitor’s mission will be evaluated as weaker, or less appropriate, than their own. This creation of similar social value led to over-

identification where the social enterprise tried to distance themselves from the work other social enterprises were doing. This over-identification led social enterprises to perceive the new market entrants that produced similar social value as competitors and to compete with them to better fulfill their mission. This reflects research on in-group bias among similar competitors in which actors devalue those that threaten their distinctiveness (Brewer, 1979).

It became apparent that for other organizations that perceived that they shared a similar social mission with another social enterprise, the focal social enterprise devalued their competitor's mission as weaker than its own. This can be seen in the way they describe another social enterprise that has a similar social mission, such as detailing that they better serve the target group or produce more value than another social enterprise that has a similar social value-creating mission. One social enterprise described a competing social enterprise stating that the competing social enterprise does not do as much for the community:

From my viewpoint, although I appreciate the work that they do, I feel that we are better stewards of people's donations and that we do a tremendous amount in our community.

For the second path of the model, I theorize that the degree to which a social enterprise shares similar characteristics in its activities with a competing social enterprise will lead to a different form of rivalry. Unlike shared identification, which I define as identifying with other social enterprises' attempts at creating social value within their market, I define competitor similarity or over-identification as the experience of competing social enterprises having vastly similar economic and social goals.

Due to the vastly similar economic and social goals that a social enterprise views an entrant as having, this led the incumbent social enterprise to view themselves as too similar to

the market entrant. This similarity then led to an over-identification process where the social enterprise detailed the similarity between its own goals and the incumbent's goals. This over-identification with another market entrant led the social enterprise to engage in actions that differed from a market entrant having different social goals. The social enterprises were more apt to point out the benefits of their own social-value creating processes, and this led them to denounce or downplay a competitor's abilities to create similar social value. This was pronounced in ways such as serving more members of a particular marginalized community or detailing that more funds were used for social value creation in comparison to a similar other.

Organizations competing on both social and economic goals should experience significant threat associated with their competitors' activities (George, Chattopadhyay, Sitkin, & Barden, 2006). Particularly, they experience threat to their organizational identity and become more competitive in nature. The evaluation of a competitor's mission as weak should drive social enterprises to compete in the marketplace to provide a better service as actors look to bolster their organizational identity. Specifically, when actors' identities are threatened by similar others, they can become motivated to overcome threat (Struch & Schwartz, 1989), particularly to better represent their "type" of social enterprise in the marketplace. The following passage points to a weakness in the mission achievement of the similar competing social enterprise in that the focal social enterprise is better at achieving its social goals and mission:

Really five stores, they have four. Last year we helped over 50,000 people with services, we placed 6,257 people into jobs and run 20 programs. When you think about what we accomplish here versus what the [competitor name] accomplishes here with their stores. That turns me into more as a competitive, I would say leader.

Social enterprises, which had similar social value-creating missions as other social enterprises, viewed these competitors in a different light when contrasted to other social

enterprises that may be creating different types of social value. When two different social enterprises had similar social missions, one social enterprise tended to view the other, similar social enterprise in a more competitive light, leading to mission competition. For instance, one interviewee of a social enterprise detailed its perceptions of another social enterprise that produces the same social value. The interviewee detailed that her social enterprise is better than the other social enterprise because more funds go into the mission in comparison to the other social enterprise that does not put as much toward its mission:

They retain some of it for capital and things like that but then they deviate up between local [regional offices of the social enterprise] and then the [headquarters of the social enterprise]. Unfortunately, the amount of revenue that actually goes to the mission is very low compared to [our social enterprise].

#### **4.2.3. Competitor's identity violation and ideological rival-based sanctioning**

This final path details what occurred when an entrant entered a social enterprise's market, and was perceived by the incumbent social enterprise as producing minimal social value in their marketplace. This was identified by social enterprises as not being transparent with where donations are going, or by associating a for-profit textile collector as not creating as much social value as a social enterprise. Due to the perception of creating minimal social value, this led to incumbent social enterprises to classify these for-profit textile collectors as violating a social enterprise's identity as the for-profit textile collectors were perceived by social enterprises as not creating social value within their marketplace, but rather using donations only as a means to create economic value. When an entrant entered another social enterprise's marketplace, it could have its social value categorized as minimal, or not producing any social value, by other social enterprises. For example, as described by one interviewee:

The transparency is what bothers me the most. People think they are giving to something good, and they're not, necessarily. Maybe they would make a different choice if they really knew who they were giving it to and what was happening with the donations they give.

Relating to a “social enterprise” that produced no social value led to a sense that these actors were violating social enterprises’ identity. For example, this lack of transparency underlying these “new” competitors and their actions led the social enterprise to evaluate these competitors as having little to no actual social mission. Specifically, this non-transparency as to who the textile collector was or their social goals created a substantial level of distrust:

When people are donating to these bins thinking they're giving to a charity, the charity is receiving such a small amount and the profiteers are making the huge amount of money. I personally feel that's unethical.

This violation of social enterprises’ identity caused these violators to be categorized as deviant, or establishing that these entrants are fake:

It's not clearly marked where the moneys go. They mask it using a non-profit, and that just doesn't sit well with me.

The ideological battle with some of the competitors can be seen through the social enterprise attempting to sanction unmarked donation bins out of their industry by lobbying local governments to ban organizations that use unmarked bins. As one interviewee explained:

That's how we operate. We do not operate any unattended boxes. There are a lot of [us] that do have unattended boxes. But our approach was to try to get them banned. Just have City Council say, "No unattended boxes."

In this final path, I theorize that when a social enterprise views a competitor’s mission as opaque or unclear in nature, or has a perception of a competitor’s activities as non-transparent, that it will engage in rivalry that is ideological in nature. In my research context, social enterprises frequently viewed non-local or new social enterprises as non-transparent in nature.

This was particularly clear in social enterprises that had no operational presence in their region but would drop clothing donation bins into their marketplace. These bins had little to no branding on them to communicate as to what social enterprise the donations were being collected for or the collector's social mission, thus violating the identity of social enterprises. In other words, there was no perceptual mission of these donation bins, and exactly how they helped the community in general was very vague.

In this case, there is a sense of trying to deidentify with these collectors and having social enterprises trying to dissociate themselves with these competitors. When social enterprises perceive that competitors lack an actual social mission, this will violate the ideological values of a social enterprise and create aggressive competition (Hoffman & Ventresca, 1999). Specifically, in my context, these opaque collectors were viewed as pretending to have a social mission to create economic value. Very similarly to conflict-based research on the role of actors violating the values of a context (Helms & Oliver, 2015), social enterprises that feel that their core identity has been violated should act to harm their competitors. Specifically, social enterprises should attempt to shame and sanction competitors that they perceive as not having a social mission out of the marketplace.

What's been difficult about that, again, cities are strapped for money, and so out of the thousands and thousands of bins in the [city area], of all of those (and this zoning ordinance went into place January 1st), only 54 of them have actually applied for a permit, and the [city name] is in a position where they can't really enforce those operators, although we're going to require them to do that in some shape or form. But right now, only 54 bins out of the roughly 7,000 in the [city area] have actually applied for a permit even, though the new zoning ordinance went into effect January 1.

Here, the social enterprise competes ideologically with its competitors. This can be seen most vividly in the social enterprise going after for-profit bins that collect textiles.

Social enterprises examined in this research also had instances of competitors that they viewed in a much more aggressive and negative light. These rivals were viewed as being deceitful in their competitive actions and were viewed in ways that would take away from a social enterprise's ability to create social value through economic means.

The social enterprises that rely on second-hand textiles to finance their social missions saw these rivals in a harsh light, going as far as to shame and sanction them so that they would no longer be able to collect second-hand textiles. One social enterprise details that they took action into their own hands by getting zoning ordinances past to make it harder for the masquerading social enterprises to conduct business:

We've actually gotten zoning ordinances passed, because in most cases these drop box operators drop the boxes in the middle of the night.

## **5. DISCUSSION**

I believe that these findings contribute to the literature on rivalry and social enterprises in the following three manners. First, the way that social enterprises compete for resources differs from the way that private firms compete for resources; in particular, I explore the competitive actions that social enterprises take compared to private firms. A social enterprise's social goals provides a foundation as to one of the ways that competition differs between these two organizational types. Social goals cast a light on how other social enterprises attempt to create social value within their marketplace, and these social goals are a determining factor as to how social enterprise competition differs from for-profit competition.

For instance, in regard to for-profit competition, the findings of Porac et al. (1995) point out the competitive perceptions that for-profit firms have of their rivals, which also was synchronous with the for-profit firms examined in this thesis. Attributes such as the size of the

firm and geographic location are examples that the authors put forth, which can be determinants of whether firms view others as competitive rivals. Kalnins (2016) supports the general findings of for-profit competition, and examines competition within urban hotel markets in the United States. This research also found support for attributes, such as geographic location and the size of the firm, which may determine whether a for-profit firm views another firm as its competition.

The way that for-profit firms distinguish themselves from their competitors has also been a focus of research (Wang & Shaver, 2014). Wang & Shaver (2014) detail that firms differentiate their products from a more dominant firm to reposition themselves in the market. Dodge, Fullerton, & Robbins (1994) identify the external sources of competition for small businesses, with aspects of competition coming from location issues, product issues, or pricing issues. This is in line with the findings of my research study as the for-profit textile producers exhibited similar characteristics of classifying competitors.

In addition, the findings of for-profit rivals exhibited traits that more closely resembled the framework put forth by McCarthy (1960), in which the for-profit firms in my study competed on aspects related to the product, place, and price. I found evidence that these for-profit textile producers segmented themselves, and tried to compete with others, based on attributes such as the way that they process used textiles or the different markets segments that they aim to serve. The for-profit rivals exhibited instances of both collaboration and competition in the creation of economic value. For example, one of the ways in which for-profit rivals collaborated with each other was through the emergence of a trade association. Within this trade association, the member firms would collaborate with others, some of whom were their direct competitors, by buying and selling goods from one another. Rajwani, Lawton, & Phillips (2015) detailed the importance of trade associations, especially in regard to building and sharing a collective identity

among member firms. The collective identity through a trade association of for-profit firms within the second-hand textile marketplace allowed the members to share and disseminate information about how to compete in their market, especially with social enterprises that deal with second-hand textiles to fund their social missions.

The social enterprises in this study did not relate to these competitive dimensions in the same way that traditionally-studied for-profit firms perceive of their diverse competitors. This is because social enterprises classified and categorized their competitors based upon the social value that they purported to create. They did so by examining the social value being created in the marketplace by other social enterprises, such as the different marginalized groups that they served, and categorized other social enterprises based on whether they create different, the same, or minimal social value as the focal social enterprise. This categorization process then led social enterprises to take varied competitive stances, such as cooperation with other social enterprises, in which they would support each other in the creation of social value. For instance, one of the ways that the support was shown was by one social enterprise assisting another social enterprise in building a store to assist in participating in the second-hand textile industry to help fund their social mission. Mission competition was another competitive action that social enterprises took toward other social enterprises that were perceived as a focal social enterprise as creating the same social value as themselves. The final competitive stance that social enterprises took toward competitors was sanctioning others that violated the identity of social enterprises. This identity violation was due to other firms in the market that purported to create social value, but were perceived by a social enterprise of creating minimal social value.

The findings suggest that social enterprises cooperate with others by sharing resources, but they compete to outperform other social enterprises that have the same social value. The way

that social enterprises exhibited behaviours of how they try to outperform social enterprises that share the same social value was by detailing how they are a better provider of mission services, such that more of the funds received through donations goes toward the creation of social value in comparison to another social enterprise that does not place as much funds toward the creation of social value. Also, social enterprises sanction others that are perceived as creating minimal social value.

Second, I found that social enterprises perceived of rivals differently than for-profit firms. For instance, social enterprises that had different social value cooperated with other social enterprises to support each other's missions. This contrasts with how for-profits perceive of rivals based upon competition for resources (Porac et al., 1995). A social enterprise's assessment of another social enterprise's identity and shared values resulted in three categories of perceived rivalry: *compassionate*, *marketplace*, and *ideological*. The ideological category was composed of competitors that did not create social value in their marketplace, and instead used the marketplace solely for the creation of economic value. These rivals were shamed and sanctioned by social enterprises because of a perceived lack of these competitors merely purporting to create certain types of social value. For instance, some social enterprises took actions such as approaching levels of government to shame and sanction the competitors that stood to disestablish a social enterprise's identity. As well, one social enterprise detailed an ideological battle that it had with for-profit textile collectors. In this case, the social enterprise engaged in public relations work to inform potential donors of the importance of donating to them rather than donating used textiles to a for-profit collector that would not produce any social value in their marketplace.

As another example, some of these minimal social value competitors had green-coloured donation collection bins to possibly promote to donors that donations were going toward the promotion green initiatives, such as waste reduction or environmental sustainability. Reger & Huff (1993) detailed the strategic groups that bank holding companies had with their competitors and detailed the distinct groups that resulted from the study. The perception that social enterprises had towards for-profit firms exhibited instances of strategic idiosyncrasy (Reger & Huff, 1993) such that the for-profit firms that dropped donation bins to collect used textiles displayed a competitive strategy that social enterprises did not see them as competing in an analogous way to themselves.

Another way that social enterprises perceived of rivals was through a compassion lens (Miller et al., 2012), and the subsequent actions in the marketplace that result from this compassionate view of competitors led to cooperation. This categorization process of social enterprises is distinct because of the compassionate nature that they could take when competing with other social enterprises, particularly if the social value created is different from their own. The social enterprises' social values shaped categorization of competitors, and these social values led to different competitive actions, such as cooperation in the creation of social value.

Third, I find that there are competing identities on social value and economic value among social enterprises. For example, sharing an identity as a social enterprise influences the type of rivalry that exists among social enterprises. This identity was shaped by the perceptions of the type of social value that was being created by another social enterprise, whether different, same, or minimal social value. This identification process was then followed by perceived rivalry with other social enterprises. One form of this identification process – of having a shared social

enterprise identification – led social enterprises to behave differently with competitors, even going so far as cooperating with competitors in their creation of social value.

For instance, if a social enterprise created the same type of social value as a competitor, this led to an over identification process whereby the social enterprise no longer felt that there were differentiating factors between the two competing social enterprises. An example of this is if both social enterprises served similar marginalized groups or had social goals that overlapped with one another. This led social enterprises to find ways that what they were doing was “better” than a similar competitor’s way of creating social value. This was evidenced by one social enterprise that detailed how it served its marginalized community better than another social enterprise that works with the same marginalized community. The social enterprise stated that more of its revenue goes toward its mission when compared to a similar other:

They retain some of it for capital and things like that but then they deviate up between local [regional offices of the social enterprise] and then the [headquarters of the social enterprise]. Unfortunately, the amount of revenue that actually goes to the mission is very low compared to [our social enterprise].

Overall, I hope that this study allows scholars to further differentiate the different forms of competition that could arise, especially when there are new forms of organizing. These new forms of organizing may have different implications for how firms perceive of their rivals, and therefore may lead to different strategic actions that firms can choose to adopt. These findings of how social enterprises compete aims to inform theory by suggesting that social enterprises compete with others based on a social dimension, whereby social enterprises look to the social value being created by others in their marketplace, and this then leads to different competitive actions based upon the perceived social value being created by other competitors.

## **5.1. Theoretical and Practical Recommendations**

Managers of social enterprises can use these findings to allow them to identify how other social enterprises may view each other and the supporting role that social enterprises extend to others that are in the process of creating social value. These findings can be used to support a social enterprise's ability of creating social value in their marketplace by identifying the role that perception of other organizations can have in determining the creation of social value. Leaders of social enterprises would do well to understand how their categorization process of other social enterprises has an influence on creation of social value.

It is also important to note that this study examined social enterprises that use the second-hand textile marketplace as a way to raise funds in their attempts to create social value. Although I believe that this study provides an initial typology of perception of competition among social enterprises, different markets that social enterprises engage in may elicit different perceptions of other competitions based on the context being examined.

## **6. CONCLUSION**

I hope that my findings and theory building will contribute to growing theory on social enterprises by building knowledge about how they compete with one another and understanding the rivalrous nature of social enterprises. I believe that this work does so in two ways.

While research on social enterprises has focused on their internal factors and how they balance tensions associated with their hybrid nature, my research begins to understand how external factors, such as competition, influence social enterprises and how they manage such tensions. Future research may want to test this typology of competitive rivalry.

My paper also contributes to understanding how the compassionate nature of social enterprises influence their competitive activity (Miller et al., 2012). I hope that this research begins to better delineate the important role of organizations' identifications and emotions in competitive rivalry. Specifically, I hope to demonstrate how social enterprises perceive their competitive environment and evaluate competitors. Surprisingly, I found that although they were cooperative and assisted other social enterprises in meeting social goals, they could engage in highly aggressive competition. In particular, rather than being compassionate (Miller et al., 2012), I build theory that social enterprises can ideologically attempt to shame and sanction competitors out of their industry.

Finally, my study extends research on competitive rivalry by expanding it to a new and increasingly common type of organization: social enterprises.

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**8. Table 1**  
**Data Display for Aggregate Dimensions**

<u>Illustrative Data: First-Level Codes</u>	<u>Second-Order Themes</u>	<u>Aggregate Dimensions</u>
<p>– “[Social enterprise A] for example gets people clean and off the street. As does [social enterprise B] in a different way. [Social enterprise A] is usually substance abusers, and [social enterprise B] in our community is usually the homeless.” <i>Categorizing social enterprises’ distinct social value goals</i></p> <p>– “There’s a lot of overlap in program. We’re very strong in employment services. [Social enterprise] is stronger in prison re-entry and welfare to work. [Another social enterprise] is stronger in clinical and physical therapy, children’s services, traditional [social enterprise] is in that.” <i>One social enterprise is better in one thing, another social enterprise is better in another thing; we’re different</i></p> <p>– “For legitimate nonprofits, we all knew each other. It was typically [collection of four social enterprises]. That was about the playing field inside our county right here and across our territory.” <i>Talk about different social enterprises</i></p>	<b>Different Social Value</b>	<b>Social Enterprise Categorization</b>
<p>– “[A social enterprise] do work with physically and mentally disabled. They have somewhat the same population base as [another social enterprise], not identical by any means but somewhat the same.” <i>Serving the same market</i></p> <p>– “Yeah. Exactly. Their philosophy may be a little bit different, we’re secular. Exactly.” <i>Discussing similarity of social value with another social enterprise</i></p> <p>– “Our specialty is property and mental illness. We really focus on those two realms. That’s absolutely in line with the work of the [social enterprise].” <i>Another social enterprise is similar to us; we focus on the same things</i></p> <p>– “Yeah, I mean we actually partner with [a social enterprise] in our area, and we are doing the same thing.” <i>Concept of working toward a similar goal; creating same social value</i></p>	<b>Same Social Value</b>	
<p>– “When people are donating to these bins thinking they’re giving to a charity, the charity is receiving such a small amount and the profiteers are making the huge amount of money.” <i>Charity is not making money, the owners are</i></p>	<b>Minimal Social Value</b>	

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- “A lot of the people or a lot of the organizations that have entered into it, are simply reselling for profit. They’re not really associated with charitable organizations. If they are, most of them are very thinly veiled, as associated with charities, and basically give very little of proceeds to the charities.” *Not a lot of money goes to charities; they do not create a lot of social value*
  - “If you pulled into their parking lot you would see that your donation helped somebody, and that’s not really the case in a for profit.” *In reference to for-profits not creating social value... you can’t see social value being created*
  - “Here locally they’re pulling, from our closest estimation, about 130 million pounds of goods a year out of the [regional] market. Very little if any of it is staying local. Almost all of it is being shipped to other markets around the country.” *No donations are staying local... no social value is being created by new market entrants*

- “I think we have something that if everybody knows about it...I have been in human services for the last 40 years. I worked for the Catholic Church at the beginning, and I ran day care programs. The human service has been in my blood. But I have always been a firm believer that ‘people don’t know who you are until they need you’” *Discussing sharing “blood” with faith-based textile collectors*

**Shared Social  
Enterprise  
Identification**

**Social  
Enterprise  
Internalization**

- “That’s the thing if all or not the profit got together and find out how we can minimize, eliminate the for profits doing, so we can all support our mission.” *Non-profits coming together; we at least share that in common... we have missions*
- “The non profit side, we don’t care if it’s a charity or just a non profit. Both obviously have some social purpose behind them.” *As long as they have social purpose, we’re good with that... we’re similar in that regard at least*

**Over  
Identification**

- “From my viewpoint, although I appreciate the work that they do, I feel that we are better stewards of people’s donations and that we do a tremendous amount in our community.” *One social enterprise detailing how their work is better than another social enterprise engaged in creating similar social value*
  - “If they wanted to become dominant in their thrift operations, we would cease partnerships with them, but they don’t. People have asked us, “Are you competitors?” No we’re not. We’re doing complementary services and we’re working together from a workforce development
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perspective.” *A social enterprise describing what would happen if another social enterprise started becoming too similar*

–“We've also invited [a social enterprise] that operates the car donation program and the thrift store operations throughout a number of southwest cities. They're also a business partner at one of our summer learning conferences, so we're inviting competitors to be business partners, which is just ridiculous.” *Partnering with another social enterprise that is too similar*

–“I personally feel that’s unethical. It’s not clearly marked where the moneys go. They mask it using a non profit, and that just doesn’t sit well with me.” *Labelled as unethical; bins are deceiving people that drop donations in*

**Identity  
Violation**

–“They just claim a charity name or a catchy name on the outside of the donation bins, and they’re out there collecting millions and millions of pounds under the name of something that sounds like a charity but really isn’t.” *Claiming to be something that they’re not; in reference to bins*

–“That’s kind of an example of the business ethics that these folks have. They’ll just operate under the radar until somebody just forces them to either do it right or forces them out of business. They will be aggressive and assertive, and skirt every legal issue there is possible to collect these donations.” *They don’t do things right; no business ethics*

–“The ones we have to be careful of, are those for profit guys coming in pretending to be not for profits. Pretending to provide services to the community, when in fact they’re not.” *Pretending to be non-profit*

–“I think we want to coexist obviously with non profits and we have lots of collaborative relationships.” *Collaborate with different not-for-profits*

**Compassionate**

**Perceived  
Rivalry**

–“There is the [social enterprise] that opened up a few months back up in [region] and I did the same thing. Just went in one day when they opened and introduced myself and talked to the different [employees]. They were again very friendly, very cordial, and very open to give out information.” *Friendly competition... can walk in and talk with them*

–“I think of those competitors such as [a social enterprise] are generally good competitors. We certainly will compete with them, but we can talk to them, and we at least have a sense of comfort and confidence that at the end of the day, they’re working with us to make the community a better place.” *Referencing competition as “good competitors”*

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–“We’ve got a great relationship with [a social enterprise], where if we get certain things that we don't accept and they do, we'll truck them down there to them. Similar to [another social enterprise]. [Another social enterprise] will call occasionally. Where we're supportive...”  
*Being cordial and friendly toward other social enterprises*

–“[Competitor] bought that software and cut all of us off. So from a competitive landscape standpoint, they're out to being very aggressive in the way that they go after donations and limit our ability to collect those donations.” *Aggressive competition with a competitor*

## Marketplace

–“With that, what I did whenever I first got here, is I recruited every high level member of [two competitors] that I could, to the point where we had cease and desist letters, we weren't allowed in their stores...” *No compassion shown to interviewee's social enterprise from its competitors... will mail cease and desist letters to them*

–“Yet, people like [a social enterprise] and others who rely on the donations for their mission have really had to become very competitive and are scrapping for market share.” *It's becoming more competitive for SEs with a mission to receive donations; have to be more competitive*

–“Some of these small church groups are maybe collecting a couple of thousand pounds a month. It's very insignificant although it's not insignificant to us because every pound that we can get is of value to us.” *Every donation counts... have to go after donations, even if it's an insignificant amount*

–“No sooner had I returned to my office, the gentleman from [for-profit competitor] was on my phone threatening me. Saying that he was going to take legal action against us for trying to monopolize things.” *Threatening tone*

## Ideological

–“Without getting in a legal battle with them, which would be fruitless on both parts, we have been doing a lot of PR work, trying to educate our donors why they should donate to [us]. We did a nice piece in a mailer that went out. It has had some positive impact.” *Active work to change perceptions... PR to educate potential donors*

–“Again, they're operated, managed by this for-profit company. So they're advertising to take donations at their thrift store, but yet, it's going into the thrift store that's managed by this for-profit company and [a social enterprise] gets a very small sliver back in return.” *Detailing that a for-profit competitor just gives a small amount back to a social enterprise*

–“First the most common is they partner with a not-for-profit organization, so it's a for-profit operator, that says, “yes, we'll give you a percentage of whatever the value of this donation is

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worth.” Usually it’s about one-tenth of what they will actually sell the donation for. Some cases, it’s one-one hundredth of what they’ll sell the donation for.” *How some social enterprises partner with for-profit operators in order to raise funds. A minimal amount of the value of donations is given to the social enterprise*

– “The way I look at the industry is we’re recyclers. A lot of charities have a problem with that because they think they have an exclusive on getting the clothing.” *Create value through identification as recyclers*

– “The other thing that we do all deal in, or not all but many of us, is not just post-consumer waste, which used clothing would be, it would be post-industrial waste, which would mean you have fabric shops, you have mills, clothing mills, manufacturers of clothing that have remnant material that get put into our market.” *In reference to having similar means of creating economic value*

– “Generally, the way it works in the industry is the for-profit company will pay the non-profit organization a price per pound for the clothing, depending on the market conditions and what the clothing is worth.” *Talk about what the industry does to create economic value*

– That reality has completely changed now. It’s hard to find any metropolitan area of significant size without 10, 20, or 30 different entities competing to collect used clothing. It’s led to, really, almost like a paradigm shift in our industry. *Detailing the prevalence of competitors creating the same type of economic value*

– “With our process, you put that towel there, it comes out like it has been washed a hundred times. Our products are very unique.” *Uniqueness in the way that a firm processes its product*

– “We generate a lot of sales out of used clothing. Most companies do buy them from either clothing graders, there are some companies that do nothing but cut rugs for wholesale and container loads to rug companies like ourselves.” *Differentiating between what they do and what others do to create economic value*

– “In more recent years, over the last six years, a lot of for profit companies have started to move away from the hybrid model of having a not for profit partner. They’ve started placing recycling bins without any charity connection. There’s no money given to charity and it’s just recycling.” *Either partnering with a not-for-profit or create economic value by selling a recycling message*

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**Same  
Economic  
Value**

**Profit  
Categorization**

**Different  
Economic  
Value**

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<ul style="list-style-type: none"> <li>–“We’re unique and how we going to market, and we are a lot more integrated in our supply chains been most.” <i>Compete based on having a stronger supply chain</i></li> <li>–“What makes [us] different is, if we get a hundred percent polyester, it's identified its sorting line, it’s segregated, and it’s made of a separate product. That separate product now, when it goes to market, it’s sold based on what it can and can’t do.” <i>Differentiate based on product</i></li> <li>–“I believe if you separate yourself from the competition, if you’re innovative, if you do things that are different, if you sell it based on value and explain why you're different. The market is there for you. It’s not an easy task. It’s not an easy task.” <i>Differentiate in order to distinguish from competition</i></li> <li>–“How can be one better than the other? The thing that we do differently is, we probably are a little bit more picky as far as our sorting process as we’re packaging the product. Then what it really comes down to is the quality of our packaging.” <i>Compete by differentiating their sorting process</i></li> </ul>	<b>Competitor</b>	<b>Perceived Rivalry</b>
<ul style="list-style-type: none"> <li>–“It’s very important that we coagulate our resources and try to send messages out to the public or to the politicians the best we can, because we certainly can’t do it individually. From that point of view, it’s very important that we have a trade association.” <i>Importance of trade association</i></li> <li>–“We have to fight our battles where we can and put our resources as a group together and pick our fights and hopefully get a message out that benefits the greater good of the industry. The importance of the trade association is for the greater good of the industry. Many people do see that. Others don’t. That's how we coordinate.” <i>Trade association allows members to promote greater good for the industry</i></li> <li>–“When we have meetings and conventions, not only just for networking and gaining ideas and learning how somebody does something, how somebody deals with a problem, an issue, whatever, from a businessman’s point of view we have this networking ability to buy, sell, trade goods. Most industries don’t have that luxury.” <i>Trade association allows for the creation of economic value</i></li> <li>–“We don’t have any existing business partnerships with them, but I would say we're friendly competitors, especially in the promotion of reuse. We have a common ground there, that we</li> </ul>	<b>Collaborator</b>	

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all want people to reuse more and be good environmental stewards.” *Collaboration to recycle textiles with friendly competitors*

–“As a matter of fact, we've tried to help a few of them open thrift operations over the last ten years.” *In reference to other not-for-profits or small thrift stores... being compassionate because dollars are kept local*

**Cooperation**

**Social  
Enterprise  
Actions**

–“What we've done with those church groups is we've approached them and made an agreement that we will purchase those goods from them at the same price they were getting from the other vendors and this way we'll be able to keep those donations locally.”  
*Cooperation and ensuring that donations stay local*

–“Because [a social enterprise], if they really sell a percentage of what they generate, they have to move it. Those products end up going to the graders who I end up buying my wiper from.”  
*Cooperating with other organizations to create economic value*

–“I said [co-worker] I think you said it very nice and tactfully. Even though [competing social enterprise] to me doesn't...aren't as good as stewards with their donations, and aren't as good as stewards with the moneys that they raise to really go to the mission, they are at least still working toward a mission.” *One social enterprise is better with the donations that they receive in comparison to another social enterprise*

**Mission  
Competition**

–“They retain some of it for capital and things like that but then they deviate up between local [regional offices of the social enterprise] and then the [headquarters of the social enterprise]. Unfortunately, the amount of revenue that actually goes to the mission is very low compared to [our social enterprise].” *Interviewee detailing that they put more of their revenue into their mission... the same can't be said for their competitor*

–“... we need to educate that donor and increase the donations. Also with that we're going to increase our mission because it's our mission, it's the completion of that mission that makes that public want to donate to us”. *Focus on educating potential donors of the social enterprise's mission in order to collect more donations*

–“We asked them, “Why are you guys allowing that?” they said, “Its diverting from a landfill” We were quick to point out, “Yes, it does divert from the landfill but it also diverts from not-for-profit organisations who depends upon it.” Their eyebrows went up and got a little bit embarrassed because that's an angle they've never thought of and one of those unattended

**Sanctioning**

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consequences. We took that opportunity and that moment of guilt to broad the subject.”

*Actively trying to change the views of others; why aren't you donating to a not-for-profit?*

–“That’s how we operate. We do not operate any unattended boxes. There are a lot of [us] that do have unattended boxes. But our approach was to try to get them banned. Just have City Council say, “No unattended boxes.”” *Trying to change the laws; outlaw bins*

–“We've actually gotten zoning ordinances passed, because in most cases these drop box operators drop the boxes in the middle of the night. They never get landlord permission, and so part of the zoning ordinance that we had passed here was, “They had to have notarized property owner approval, and there was no more than two boxes allowed per property. They had to disclose whether they were a for-profit or a not-for-profit, so forth and so on.”

*Approaching government to intervene*

–“That reality has completely changed now. It's hard to find any metropolitan area of significant size without 10, 20, or 30 different entities competing to collect used clothing. It's led to, really, almost like a paradigm shift in our industry.” *For-profit describing the increased competition for textiles*

**Competition**

**Profit Actions**

–“My company that will take it and send some of it to Africa, cut some of it up into rags. Very little of it is given to someone, very little of it is going to clothe someone who doesn't have clothing. It's all either being sold at the thrift level or internationally and cut into rags. But for a long time the charities have really pushed the notion of, “We are using it to clothe people.” From the marketing stand point, that was the best way to pull at people's heart strings and to get them to donate” How charities compete in order to collect textiles. For-profit textile collector describing how charities’ marketing of where donations go is false

–“Certain segments of the industry are now related to each other in the very aggressive, combative, cut throat way, which is something that we haven't seen.” *Cut throat competition with competitors*

–“My competitors, we fight with them every day in the streets. My salespeople, they're fighting. It's very, very competitive.” *For-profit textile collector describing the competitive nature of the industry*

–“We see the relationship with [non-profit organization] as really being integral to our business career for a number of reasons. For the past 100 years the used clothing industry in the US has been associated with charity.” *Partnering with a non-profit organization*

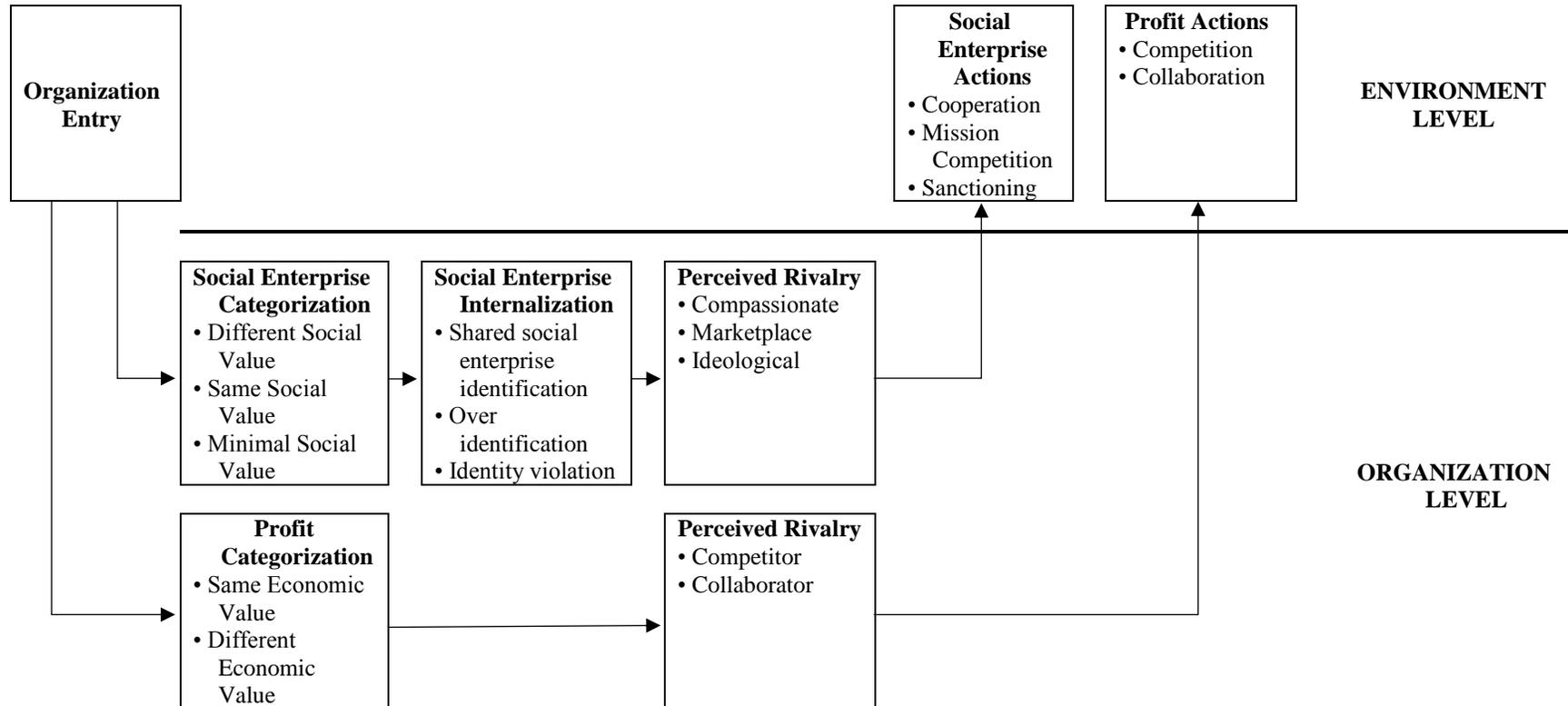
**Collaboration**

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- “When you look at the situation of our landfills in the US...we’re only collecting...between all the players in the industry...about 15 percent of all the clothing is being thrown out by the Americans. So out of 20 billion pounds, something like, 18 billion of those pounds are still landing up in the landfills. What we're saying is, we are not up to the job to do it all by ourselves” *Willing to collaborate with others in order to reduce amount of clothing in landfills*
  - “What we're saying is, we are not up to the job to do it all by ourselves. We need the non-profits involved with us. We all have to work together to keep as much of this stuff out of the landfills as possible.” *Collaborate with non-profits in order to reduce amount of textiles in landfills*
  - “It changes the conversation and it brings it to a place where you know [a social enterprise] isn’t necessary able to stand up and say, “All the for-profits are bad”. They are stealing away from the charities because the issue here is more about the lands fellowship. That’s where the focus is turning.” *Getting together with not-for-profits in order to collaborate with reducing amount of textiles that end up in landfills*
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9. Figure 1

An Identification Model of Social Enterprises' Competitive Rivalry



**10. Figure 2**  
**Overview of Data Coding Structure**

