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Animalife & Sonae

The development of a Social Partnership

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ABSTRACT

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The dissertation set forth presents a managerial perspective on how to develop a Social Partnership, with the purpose of increasing its social and economic value. It is exemplified by the study of the collaboration between Animalife and Sonae. Animalife fights animal abandonment by directly providing support to disadvantaged pet owners and Sonae is a Portuguese multinational company with large stakes on the food retailing business.

For that purpose, I resort to the collaborative value creation framework, which enables managers to analyse a partnership between a non-profit and a for-profit company. To devise a strategy to *simultaneously increase the partnership's social and economic value creation*, my research focuses on the resources currently being deployed by both partners and the ones which could potentially increase the value of the partnership, if deployed.

In this case study, the solutions proposed are meant to enhance the sources of value by fundamentally changing the resources' complementarity, nature, directionality and use. Such suggestions enable the partnership to evolve beyond the Philanthropic stage of collaboration.

A tese apresentada introduz uma perspetiva ao nível da gestão para o desenvolvimento de Parcerias Sociais, com o intuito de aumentar o seu valor social e económico. É exemplificada através do estudo da colaboração entre a Animalife e a Sonae. A Animalife combate o abandono animal ao fornecer apoio direto a donos de animais carenciados e a Sonae é uma multinacional portuguesa com uma elevada participação no setor de retalho alimentar.

Para esse propósito, recorro à metodologia de criação colaborativa de valor, que possibilita aos gestores a análise de parcerias entre entidades com e sem fins lucrativos. Para delinear uma estratégia que *simultaneamente aumente a criação de valor social e económico da parceria*, a minha pesquisa foca-se nos recursos atualmente mobilizados por ambos os parceiros e os que potencialmente poderiam aumentar o valor da parceria, se mobilizados.

Neste estudo de caso, as soluções propostas destinam-se a reforçar as fontes de valor ao mudar fundamentalmente a complementaridade, natureza, direccionalidade e uso dos recursos. Tais sugestões permitem que a parceria evolua para além da fase de colaboração Filantrópica.

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Chapter I - Introduction

In Portugal, there are over 61 thousand social organizations, which in 2013 represented 5.2% of total employment and 2.8% of the Gross Added Value¹, operating within a social economy that has been showing definite signs of development over the past years. In fact, Portugal has mapped its high potential social entrepreneurship initiatives all around the country, and the Portuguese government introduced a Law on Social Economy in 2013, recognizing and defining the status of social entities². However, the most significant critique lies in the fact that the majority lacks managerial and strategic skills, with its leaders often too focused on the cause and neglecting the power of planning³. Such statement sparked my curiosity, which made me think of how this situation could be turned around, given its economic and social significance.

Having started in 2012 by supporting other animal protection associations on the promotion of animal adoption, Animalife is now fighting animal abandonment by supporting pet owners who suffer from financial distresses, as Animalife has identified it to be the primary cause leading to abandonment. Through the partnership it holds with Sonae, every year the association organizes two food collection campaigns at its food retail stores all over the country.

Having volunteered for one semester at Animalife during my bachelor, I was able to see the impact of such partnership. Thus, I wondered if more could be done to increase, on the one hand, the overall social impact generated and, on the other hand, the economic one, as it would be an enabler for a tighter collaboration from Sonae. Hence, this managerial case study analyses the collaboration between a not-for-profit entity – Animalife - and a for-profit one – Sonae. By resorting to the *Collaborative Value Creation* framework, I sought to answer the question *how can Animalife and SONAE develop their partnership to simultaneously increase the social and economic value creation?* To achieve such goal, I broke down the analysis into the study of the current partnership and the development of a strategy which would enable its advancement.

To write this case study, I interviewed Animalife's President – Rodrigo Livreiro – to get thoroughly acquainted with the association's strategy and with the partnership structure, who also provided me with information about the resources possessed. Subsequently, I collected relevant data from Sonae, which enabled me the assessment of other potential assets

¹ Instituto Nacional de Estatística. (2016), "A Economia Social representou 2,8% do VAB nacional – 2013"

² Diário da República, 1.ª série — N.º 88 — 8 de maio de 2013

³ Paupério, A., Azevedo, C., Gata, H., Martins, R. (2013, August 23). The state of Portugal's social economy. *The Guardian*, Retrieved from <https://www.theguardian.com/social-enterprise-network/2013/aug/23/portugal-social-economy>

that could be deployed for this collaboration. Table 1 summarizes the primary and secondary data collected from both entities.

ANIMALIFE		SONAE	
Interview with the President	1	Management Reports	7
Newsletters	45	Sustainability Reports	1
Website’s News Articles	219	Magazines and newspaper articles	5
Website’s Press Clipping	59	Press releases	18
Magazines and Newspaper articles	11		

TABLE 1 - PRIMARY AND SECONDARY DATA COLLECTED

Henceforth, this case study is structured in three different sections. The *Literature Review* covers the rise of social entrepreneurship, its definition and how cross-sector collaborations fit into this world, as it also analyses the process of partnership creation and development between for-profit and not-for-profit entities. This research enabled the understanding of the theory I could deploy to solve the managerial issue at hands. The *Teaching Note* suggests the use of the Collaborative Value Creation framework to provide an answer to the research question previously presented, primarily focusing on the sources and types of value generated. The *Conclusions* synthesize the main solutions found and also possible limitations.

Chapter II - Case Study

It was no more than a regular day at the headquarters of Animalife. Rodrigo Livreiro was sitting behind his desk, in a small office on the basement of a building in Saldanha, as he received one more request for help from a disadvantaged family, one more to add to the 680 currently supported by his organization. Rodrigo is constantly surrounded by volunteers that come and go, by families looking for a chance to endure a life full of struggles and yet wanting to keep their animals. But most of all, by people who share his passion for animals and the mindset to implement a much-needed change. He says it is not easy, but worth fighting for.

Over the past five decades, animal protection associations have been sheltering abandoned animals in their kennels to then promote their adoption. However, such approach leads these entities into a vicious cycle from which it was hard to break free from, as the animals adopted release space for more animals to be adopted, so on and so forth. This traditional approach was defied when Animalife understood that if the bleeding were not stemmed – that is, if abandonment were not stopped - such a system would just go on and on forever. The turning point happened when Animalife found out the reasons why animals were left abandoned on the streets, which turned to be a game changer: the strategy shifted from dealing with the consequences of the problem to attack its root cause, now providing direct support to families, homeless people, and associations. Due to this change, in 2015, Animalife had come to be considered one of the most innovative social entrepreneurship initiatives by IES⁴.

However, Animalife would not have been able to achieve this on its own. The association carries out food collection campaigns at Sonae's retailing stores to fulfill the most basic need of the animals it supports - in 2017, more than 500 tons of animal food were collected. Yet, Rodrigo feels it is not enough. There are more families to reach out to, more awareness to be raised, more mindsets to be changed. But, at the same time, he has a very clear sense that this growth needs to be sustainable and every step needs to be carefully considered.

The president believes in this partnership's potential to create a *win-win-win* situation – for Animalife, for Sonae, and for the Portuguese society. None the less, he is sure the current degree of interaction is not sufficient to achieve such goal. Holding on tightly to this thought, Rodrigo asked himself: *how can Animalife and SONAE develop their partnership to simultaneously increase the social and economic value creation?*

⁴ IES – Instituto de Empreendedorismo Social (Social Entrepreneurship Institute)

2.1. THE HISTORY OF A GAME CHANGER

2.1.1 THE COMMON CONCEPTION ON ABANDONMENT

In Portugal, the number of animals abandoned on the streets is alarming. In 2014, almost 32 thousand animals ended up at municipal kennels, in which one out of every five were dogs. These numbers have been on the rise for quite a long time, having suffered an increase of 135% from 2008 to 2014⁵. Due to the greatness of the numbers, associations and municipal kennels face a daily struggle on providing their animals with the adequate conditions. Shelters are overcrowded, resources are many times insufficient and redirection for adoption is a whole brave world by itself.

When first introduced by the City Halls, municipal kennels functioned as collection centers, removing animals out of the streets to stop them from transmitting diseases to humans. These facilities were located on the same site where municipal waste was processed. If, after eight days, the owner would not claim ownership, the animals were to be slaughtered. Around five decades ago, animal protection associations started emerging all around the country, with the purpose of eradicating the carelessness way in which animals were treated and of promoting their adoption.

Animalife, in its early steps, had the same vision of these associations and the general public. Seeing adoption as the ideal solution to abandonment, Animalife was born as a support arm for raising adoption rates of the animals held at these facilities. The professionalization of animal protection associations was one way to do it, increasing the capacity and effectiveness of their approach. Aimed at massifying the divulgation of the animals that were up for adoption, Animalife created a *Social Network*.

Conceived in November 2010 by Rodrigo Livreiro, the *Social Network* was Animalife's first initiative, enabling the massive promotion of animal adoption by ensuring the partner associations access to a more extensive network of potential pet adopters and people who share a passion for the animal cause. This way, disclosing urgent news, collecting funds and capturing volunteers and associates were also made more accessible. Thousands of success stories have been made through this platform, where 16 thousand animals, 20 thousand users, and 130 associations are currently registered. Only in October 2011, Animalife became a legally constituted association.

⁵ Garcia, R. (2015, August 17). Número de animais abandonados em Portugal atingiu pico em 2014. *Público*. Retrieved from <https://www.publico.pt/2015/08/17/sociedade/noticia/numero-de-animais-abandonados-em-portugal-atingiu-pico-em-2014-1705294>

2.1.2 A REALITY TWIST

Several studies have been conducted about the effects of animals on human beings, mentioning the vastly diverse benefits for their owners, such as their psychological and social development, and a noticeable life quality improvement. Indeed, the interaction with animals eases the process of fostering social relationships and the integration of kids, elderly and disabled people with the environment and society around them⁶. All these benefits considered, the abandonment of animals does not seem like a viable solution. The reality of abandonment is quite far from where one would want it to be.

Over the course of the past century, little concern has been given to the people who own animals and to their struggles, neither from society nor the social services. No action has been taken towards the avoidance of abandonment, as it was thought the existence of entities responsible for redirecting animals for adoption would be enough. This shows a careless mentality regarding the rights and obligations the owners should be entitled to, how animals should be treated by them and what type of support they need. In 2012, Animalife conducted a national survey through all animal protection associations and municipal kennels to find out what primarily leads people to abandon their animals.

2.1.2.1. Financial distresses at the heart of the problem

Numerous are the families who face financial distresses in Portugal and hence receive support from social institutions. However, their pets do not. The contemporary Portuguese social system excludes people from their support programs, based on the fact they have animals in their possession. If a household is already being financially supported, there clearly is a lack of capacity to afford:

- The **feeding** of the animal(s);
- The **veterinary** expenses (e.g., vaccination, deworming, sterilization, implantation of electronic identification chip, medical emergency situations);
- The **professional training** of an animal showing aggressive behavior.

Hence, when facing such situations, the owners feel forced to hand the animals over to an association or even to leave them on the streets.

⁶ Animalife (2017). Retrieved from: <https://www.animalife.pt/pt/sobrenos/>

2.1.2.2. The lack of a truthful support

The society, government, social assistance services, and law enforcement officers largely undervalue the understanding of these issues and the abandonment prevention measures. No matter how hard adoption is promoted, if there are no efforts directed at the diminishment of the number of abandoned animals, society will forever live in a vicious cycle as there is no compelling answer being provided.

Currently, within the Portuguese society, social assistants provide support to disadvantaged people. However, they are unaware of the consequences of removing an animal from its rightful owner. In most situations, no effort is put into understanding why people who are facing terrible living conditions and severe financial distresses, can still refuse to abandon their animals for as long as they possibly can, even when they appear to be carelessly taken care of. The way social services are set up nowadays exclude disadvantaged people who own animals from society, by denying them the genuine support they need since they are not complying with the animal regulatory demands (e.g., vaccination, electronic identification chip). They do it without understanding the reasons behind it, disregarding the long-term effects of such decision: suddenly, the person needs not only financial support but also psychological.

It was then that Animalife realized the dimension of this reality, as many people were coming to animal protection associations asking for such kind of support. Albeit the will to help was tremendous, these entities were powerless on this matter.

2.2. AN INNOVATIVE & DISRUPTIVE APPROACH

2.2.1 WINNING BY ANTICIPATION

The panorama is changing though. As Animalife could not settle with this reality, it changed the way it faces abandonment. It rapidly realized the necessity of intervening directly on the social support, allowing families to maintain their animals when there's no aid for them, no exemption of taxes, no free access to veterinary care, even if the owners' financial shortage has been proven.

Through a clear understanding of the reasons causing abandonment, Animalife is in a more advantaged position to propose better solutions and to present new and innovative ideas on how to improve this unfortunate reality. Thus, by anticipation, the association solves a problem that could eventually show up in the near future. In this sense, Animalife's vision, strategy, and approach were changed.

2.2.2 ACTING BY THE NEEDS, NOT AGAINST THEM

Having started by supporting animal protection associations on massifying adoption, the goal has shifted to a more effective one: *fighting abandonment*, acting at the root cause of the problem. Today, Animalife is one of the largest animal support organizations in Portugal. In January 2015, it was selected as Initiative of High Potential in Innovation and Social Entrepreneurship⁷ and in May of the same year, Rodrigo Livreiro, the President, was recognized as “*An Extraordinary Portuguese*”. Over and above, Animalife has been present at meetings with different political forces where proposals are submitted, influencing the political agenda on this matter and moving towards an increasing concern for the animal cause.

2.3. ANIMALIFE’S STRATEGY

2.3.1 PROVIDING FINANCIAL SUPPORT FOR THE *SHORT-TERM* GAINS

Aiming at helping the animals, Animalife has adopted a short-term strategy targeted at three different beneficiaries, to which it provides assistance to their animals’ primary needs. Hence, preventing the abandonment of the animal(s) due to financial shortages. For this purpose, Animalife has partnered up with different entities (Appendix 1) who provide the necessary resources to more effectively assist them, and has been widening its reach throughout the country (Appendix 2). Abiding by a sense of urgency, Animalife approaches disadvantaged families, homeless people who own animals and animal protection associations, covering various objectives (Appendix 3). As of 2016, the outcome of Animalife’s efforts was indeed noticeable, with an outreach of almost 28 000 animals (Figure 1).



FIGURE 1- ANIMALIFE'S RESULTS (2016)

⁷ IES – Instituto de Empreendedorismo Social

The support Animalife provides to its recipients ranges from the most basic and primary needs such as food and lower-cost veterinary proceedings to accessories and toys, which is, in fact, dependent on the target group and a careful examination of each situations’ circumstances.

	FAMILIES	HOMELESS	ASSOCIATIONS
⁸ Food	Yes	Yes	Yes
⁹ Veterinary proceedings	Yes	Yes	Emergency situations only
Medicine	Yes	Yes	Emergency situations only
Accessories and toys	Yes	Yes	No
Protocols with vet. clinics	Yes	Yes	Yes
Management tools	No	No	Yes
Adoption promotion tool	No	No	Yes

TABLE 2 - ANIMALIFE'S SUPPORT ACROSS THE THREE PROGRAMS

Though other supports are provided (medicine, accessories & toys; management & adoption promotion tools for other associations), due to insufficient resources Animalife’s core focus lies on ensuring the animals in its network have sufficient food to survive and the access to basic veterinary proceedings.

2.3.1.1. Ensuring a feeding source

Through a bi-annual food collection campaign (see sub-chapter 2.4.4.1 Animal Solidarity Bank), mostly, and from isolated donations from ration manufacturers, Animalife collects supplies to distribute to all its beneficiaries.

- For the families and homeless people, food is delivered once a month at Animalife’s distribution centers. It does not have enough resources to create a home delivery service by establishing a transportation and distribution network. However, this is a problem for both the elderly and disabled people, who struggle moving from one place to another, much less with a 20kg bag of animal food.
- Regarding the associations, access to food supplies is granted as long as they participate in the food collection campaigns and subsequently handle their transportation and storage after those same initiatives.

⁸ For dog and cat, mostly
⁹ Vaccination, deworming, sterilization and implantation of electronic chip

2.3.1.2. Ease the access to basic veterinary proceedings

Adopting a future-oriented approach, Animalife focuses on offering support for *sterilization*, which is fundamental to avoid the excess of animals and the increase of the difficulties in satisfying their basic needs. On a short-term one, it promotes the *vaccination* and *deworming* of the animals, resulting in healthier and more hygienic conditions both for them and their owners. The implantation of the *electronic identification chip*, mandatory by law, enables the identification of all animals and a better monitoring of their situation. Bearing this purpose in mind, Animalife has set up protocols with several veterinary clinics, where it benefits from lower prices.

Though Animalife wishes to provide this support to every single family and homeless person who have been signaled and approved by Animalife's Service Centres, it is dependent on the number of funds it can attract. Due to this reason, it usually is not provided to the animal protection associations, only operating in the most urgent situations (e.g., disease outbreaks, incapacity to separate males from females), even though it grants them access to the protocols established with its veterinary partners. However, unlike the people Animalife helps, who have no one else to resort to, these associations have their own financial structures and are also able to attract funds from their associates to proceed with these practices.

2.3.1.2.1. Fundraising Approaches

For the reasons above, financial sustainability is a significant concern of Animalife. To maintain a robust financial structure, Animalife has integrated several funding sources which guarantee the sustainability of its operations:

- **Donors**, who are individuals making sporadic donations;
- **Animalife Supporters**, who are individuals performing regular monthly donations and are entitled to the *Animalife Card*, which grants its owner the access to discounts in products and services in more than 1500 partner companies in several sectors¹⁰. It is, by far, the most significant funding source Animalife has;
- **Social Responsibility Programs** that Animalife implements, as part of companies' CSR strategies.

¹⁰ Reduction in the cost of vaccination and sterilization; up to 20% discount in food for animals, in baths and shears and animal's hotels and pet sitting; up to 50% discount in products and services for the clients – vehicle, house and decoration, courses and training, hotels and restaurants, informatics, optical shops, rent-a-car, health and well-being, clothing and shoes, travelling and leisure.

2.3.2 PROMOTING MINDSET CHANGES FOR THE *LONG-TERM* GAINS

Animalife aims at stimulating developments leading to the creation of a support system which does not systematically neglect animals and their owners. As animals affect people's well-being, then reasons which have led to such deprived situation of the animals must be accounted for when analyzing the problem and its possible solutions.

Animalife's intention is not to replace the aid provided by the Social Service institutions. It is instead to work hand in hand, adopting an approach based on educating them, the law enforcement entities, government and society about the extreme importance of these issues, how to face them and what measures can be put into place to adequately support people who desperately need help. Animalife poses itself as the solution to an apparent gap, not fulfilled by the state - the inclusion of animals in the social support programs – thus institutionalizing a system that acts in accordance to the people's needs, instead of against them. However, this is indeed a slow process, one that requires the creation of the necessary growth enabler resources.

2.3.2.1. From concept to practice

In a universe of over 200 animal protection associations, Animalife supports 165, enabling these entities to manage their shelters more efficiently. The support to homeless is provided only in Lisbon and Oporto, in partnership with organizations whose core activity is to do so, putting Animalife in better conditions to evaluate the animals' necessities. Yet, these are not the most effective ways to influence the system and to instigate an institutional change covering the whole Portuguese society.

Indeed, the most considerable influence is exerted through the families' support program, as the contact with the social services institutions is much closer and covers a wider range. As mentioned, the identification and support of the households who might be in of need support is performed in collaboration with Private Institutions of Social Solidarity ¹¹ and local autarchies, in a two-step process:

- 1)** At a first stage, these partner entities identify households with proven financial distresses and the ones who own animals are signaled and redirected to Animalife's Service Centres. Families can also directly apply at Animalife, though approval is always necessary to be given by these entities.

¹¹ Instituições Particulares de Solidariedade Social (IPSS)

2) At a second stage, Animalife provides families with the necessary support to avoid a situation where it is forced to abandon the animals, by ensuring their most basic needs are fulfilled.

Through the process of establishing partnerships with the social service institutions, Animalife passes on its knowledge and tries to change the way these services face the situations where deprived families cannot afford to offer the best conditions to their animal and yet removing it from them is for sure not the best alternative. Step-by-step, Animalife changes the mentality of the people who run the system, ultimately changing the system itself.

2.3.2.2. From North to South of the country



FIGURE 2 - SERVICE CENTRES

By focusing on the presentation of results, via value and impact created, Animalife's stakeholders more easily infer that the larger the capacity it has, the more massive its reach gets. This way, the association sustainably promotes the creation of a positive stimulus on the society towards an increased awareness for the animal cause, ultimately leading to a mindset change and an enhanced support from individuals, companies, government, lawmakers, and society. The association has been growing in both its capacity and reach – however, this is a gradual, planned and sustained one (Figure 2).

By adopting a national expansion strategy and hence growing geographically, Animalife increasingly exerts influence over its key stakeholders, the ones who will institutionalize a system filling in the gap disregarded by the state. In each of the locations, the association expands its reach to, it creates a Service Centre, connecting the Social Services, disadvantaged families, and Animalife. However, establishing these new sites is not an easy process. Animalife needs to guarantee several conditions are set in place:

- A structure that identifies the families in need of support (e.g., Social Service Institutions, *I.P.S.S.*), which requires a whole process of persuasion and negotiation. Animalife needs to make these entities realize the importance of this approach and recognize the importance of animals for people under deprived conditions;

- A body of volunteers who commit to this mission and provide the capacity and the required logistical conditions to answer the needs of the beneficiaries is also a crucial factor (from gathering, storage, and distribution of supplies).

The more Animalife grows and the more impact it showcases, the more easily it persuades local autarchies that this is the right approach. Once this impact is largely acknowledged by society, Animalife may benefit from a much faster expansion process, until reaching its ultimate goal - the institutionalization of an efficient system.

2.4. A VITAL PARTNERSHIP

The number one priority of Animalife's support programs is the fulfillment of the animal's basic needs, namely providing them with food. As mentioned before, the association currently supports almost 28 thousand animals all over the country. Such state of affairs gives rise to many logistical concerns, leading one to the belief that finding food to feed so many is not an easy task whatsoever. Therefore, in 2012, Animalife partnered with a large Portuguese multinational company, namely with its food retailing branches, after finding out shared interests towards the animal cause and the urge to act upon it. Sonae ¹² is present in all five continents, spread around 89 countries. Established in 1959, today it is one of the largest employers in Portugal ¹³, owns over 40 different brands (Appendix 4), its business portfolio (Appendix 5) covers eight different areas and, in 2016, the group showed a Net Income of 215M€. Sonae is also large acknowledgment-wise, having been awarded several recognitions (Appendix 6).

2.4.1 SONAE'S CONTRIBUTION TO SOCIETY

Besides having created an enormous amount of jobs and economic value for the Portuguese society, Sonae has developed several initiatives which are a reflexion of its strong social responsibility culture. The group believes the interaction between the corporate world and society is an essential way to foster innovation and creativity in all spheres of action, promoting a closer link with the surrounding community and a more significant social well-being. In 2016 alone, the group mobilized 1374 volunteers and 5988 hours of volunteering (an increase of 33%, over 2015), donated 10M€ for community support (+1,6M€ than in 2015) and helped 1393 institutions, through initiatives such as: the *Community Day*, launched by Sonae

¹² SONAE Investimentos SGPS (Sociedade Gestora de Participações Sociais)

¹³ Sonae employed over 44 thousand people in 2016

Sierra, to foster volunteering within its employees by offering them the chance to devote part of their time to support social solidarity institutions; *Missão Continente*, which is the for many years ongoing social campaign of Sonae MC, aimed at supporting several projects belonging to various social causes and institutions.

2.4.2A LEADER IN THE FOOD RETAIL MARKET

Sonae holds its food retailing unit under Sonae MC, which in 1985 opened the first ever hypermarket in Portugal. From that point onwards, it became a reference on the market for having revolutionized the consumers’ retailing habits. In 2017, Sonae’s retailing stores’ network was composed by the hypermarkets Continente¹⁴, supermarkets Continente Modelo and the convenience stores Continente Bom Dia and Meu Super, for a total of 540.

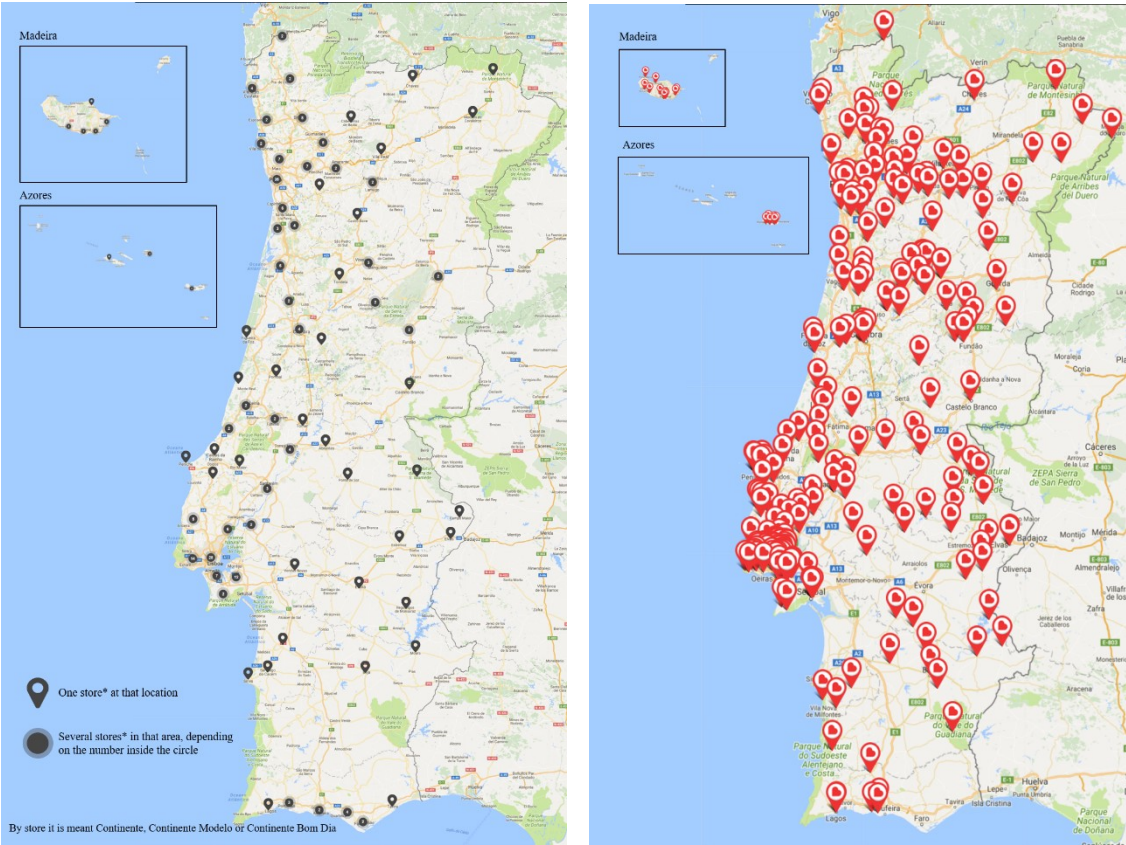


FIGURE 3 - SONAE'S RETAIL STORES DISTRIBUTION
 Left: Continente: Continente Modelo; Continente Bom Dia | Right: Meu Super

¹⁴ Elected, for 11 times in a row, as a *Trusted Brand*

Sonae's market share has been increasing, mainly due to its network of suppliers, the increase in the number of stores (Appendix 7), its vast portfolio of marketing and promotion tools (Appendix 8), and the relevant acceptance of its own-brand products. The latter account for 30% of the sales volume and over 70% of them are produced in Portugal.

Cartão Continente, the stores' loyalty card, represents over 90% of the sales. Sonae affirms it is the biggest discounts' card in the country, as it provides exclusive discounts, and the chance to participate in contests and discounts at various brands, for example). In October 2017, Sonae introduced the Guaranteed Minimum Discount, where each card's holder is granted a 2% discount on its total annual purchases.

In 2017, **Meu Super** stores accounted for 52.4% of the overall retailing stores' network. These work under a franchising system, in which the franchisees have access to Sonae's own-brand products, as well as to the integration of the loyalty program provided by **Cartão Continente**. Introduced in 2011, this network has a wider spread around the country (Figure 3) and is part of a strategy to amplify the influence of Sonae MC's own-brand products and to be closer to the consumers, as they are located in residential areas.

Continente Online is the online shopping service from which customers can have their groceries delivered at home. Sonae's e-commerce business has been increasing by double digits, making it the leader in a market with an enormous growth potential. For this effect, Sonae has set up a vast distribution network.

2.4.3 SONAE'S ANIMAL KINGDOM

Sonae's own-brand **Pet Continente** products are amongst the most popular ones sold within the animal section. It is usually 35% cheaper than the prices charged by its competitors, has an easily recognizable image, and it is a certified quality brand. Because it is a Portuguese one, it allows Sonae to direct its offer to the changing tastes and preferences of the Portuguese consumers. Moreover, **Continente Online** has a section entitled *Pet Continente*, where it provides advice from a professional veterinary on several animal-related matters¹⁵ through videos, articles and open questions. **ZU** are Sonae's new petshops, which besides offering animal products such as food, accessories, hygiene products, and medication, also offer other services (Appendix 9) in convenient urban locations (Appendix 10).

¹⁵ Feeding, health, safety, hygiene, legislation, reproduction, behaviour, exercise, education, parasites and others

2.4.4 THE PARTNERSHIP ROLL-OUT

2.4.4.1. Animal Solidarity Bank

The Animal Solidarity Bank (*BSA – Banco Solidário Animal*) is a bi-annual¹⁶ food collection campaign organized and managed by Animalife in all Continente, Continente Modelo and Continente Bom Dia. This is an initiative gathering over three thousand volunteers who believe and support this cause, having a two-folded objective:

- To source for resources, mainly dog and cat food, which are then distributed to the families, homeless and associations supported;
- To sensitize the population for the necessity of contributing to a better quality of life of the animals and for the abandonment problem.

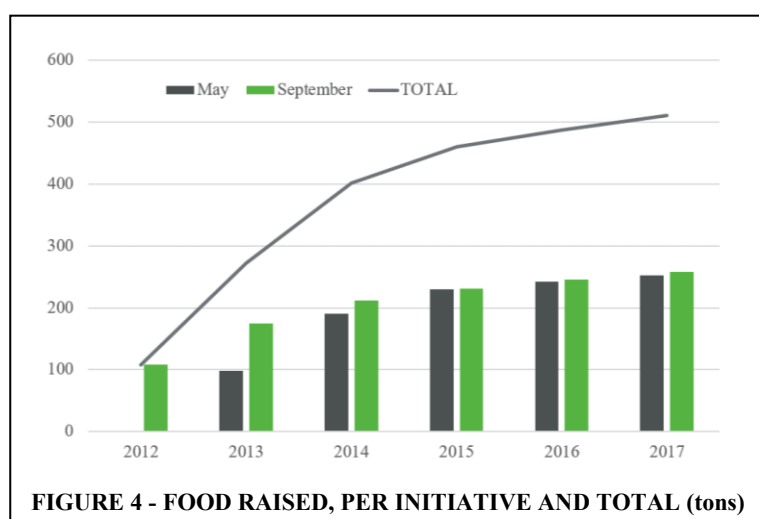


FIGURE 4 - FOOD RAISED, PER INITIATIVE AND TOTAL (tons)

Figure 4 shows clear evidence of this initiative's success – in 2017, Animalife surpassed 500 tons of food collected throughout the two campaigns, though it seems a tendency to stabilize is appearing. Moreover, the numbers show a clear relationship between the type of store and the amount of

food raised, as Table 3 suggests:

	STORES	TOTAL (KG)	TOTAL (%)	KG/STORE
Continente	41	204 807	40,10%	4 995,29
Continente Modelo	129	228 763	44,79%	1 773,36
Continente Bom Dia	87	77 225	15,12%	887,64
Meu Super	283	0	0,00%	0,00
	540	510 795	100%	-

TABLE 3 - AMOUNT OF FOOD RAISED, PER STORE (2017)

Logistically, Animalife is in charge of the image set up for the campaign, for which it receives no support from Sonae, except for the payment of some expenses (e.g., volunteers' t-shirts and flyers used during the campaign). Furthermore, SONAE does not promote this

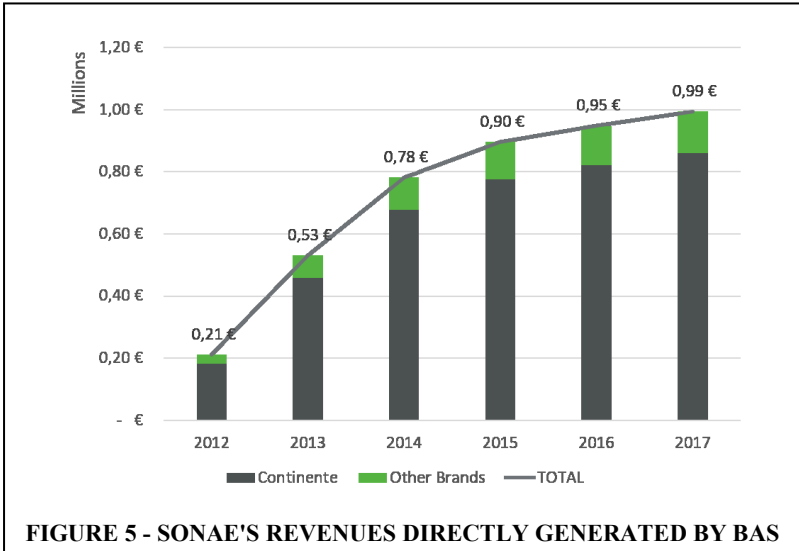
¹⁶ In May and September, for two weekends in each month

initiative internally to its employees, in the sense of incentivizing them to participate as volunteers.

2.4.4.1.1. Impact

By far, this has been the greatest mechanism Animalife has implemented, incurring in benefits for both parties involved:

- The number of associations supported increases as the number of stores covered increases (Appendix 11);
- It has provided over 3.5 million meals in 2017 only, a number increasing year by year (Appendix 12);
- Animalife has been able to raise awareness in locations where people had never been conscious about abandonment problems, namely in the rural areas. In fact, the year by year increase in donations has been made possible due to the awareness increase in these same locations, consequently leading to a higher amount of donations;
- Sonae’s economic gains have been increasing yearly (Figure 5, Appendix 13).



Hence, such evidence suggests this partnership’s vital importance, showcasing the social and economic impact generated. In this sense, there is an increase in the awareness towards the animal cause, an influencing of mindsets, a boost on the stimulus to institutionalize a system covering these gaps, and a revenue increase for Sonae and its producers.

2.4.4.2. Other initiatives

Besides, Sonae sporadically organizes animal-related events, thus reaching Animalife to be an institutional partner and seeking for advice, given the *know how* the association holds. In the past, running events and adoption campaigns have been carried out. Lastly, Animalife receives other donations from its partner due to output losses (e.g., ripped packages and products close to reaching the expiration date).

2.5. AIMING AT A SUSTAINABLE GROWTH

2.5.1 INTERNAL GROWTH ENABLERS

Above and beyond, Animalife's effectiveness and success stand out due to the people who form the structure of this association – they share the same passion, goals, and vision towards the animal cause. Daily, it counts with less than 80 people who develop and implement the three support programs, spread throughout the locations where supplies are stored and distributed, though only the one at Saldanha is open every day to the public. Furthermore, due to its reach and recognition, it is able to attract volunteers to do more isolated tasks, such as back-office work, delivering food on distribution days, among others.

Animalife has been enabling the development of an unprecedented knowledge and professionalism in this area, which is indeed driving its remarkable growth. In fact, the *know how* gathered along these last years would be legitimately applicable within the corporate world. As the president Rodrigo Livreiro puts it, companies could profit from this, in the sense that by employing Animalife's insights they could predict much faster the demand and market growth prospects for specific products and brands. At first sight, this seems like a regular and common practice adopted by every business. However, Animalife takes into account the feelings and emotions people hold towards animals and the concerns of the ones following the association's work, related to potential legislative amendments and its business impacts. In a nutshell, this *know how* detained by Animalife goes beyond the economic factors to predict demand, an approach commonly adopted in business practices.

2.5.2 CHALLENGES AND BARRIERS

When the first service center was opened in 2014, Animalife was receiving ten support requests per hour. Multiplied by the hours open to the public, by every week of activities, one would indeed reach an astonishing number. Animalife has estimated that, in Portugal, there are

around 110 thousand animals in need of support – currently, it has reached about 28 thousand of them, for which the food collected is not enough to cover their full necessities.

For Animalife to be able to support the several households, it needs to make sure they are abiding by the regulatory measures, such as vaccination and implantation of an electronic chip. If these are put into the equation, the whole panorama gets even more frightening. For example, one single anti-rabies vaccination, needed to be taken once every year, costs around 15€ - to cover all the potential animals, we would reach an amount surpassing 1.6M€, only with one of this type of requirements.

And these are only the problems Animalife is, on a day-to-day basis, struggling with and fighting against, given their sense of urgency. In fact, the number of abandoned animals in Portugal has been decreasing ¹⁷, but the association is conscious of the existence of many other issues, virtually impossible to tackle in a close future. Though some progress has been made, there is still a long way to go.

2.5.2.1. How to overcome them?

Given this landscape, Rodrigo realized it would be unsustainable to entirely cover such necessities on its own. The importance of the partnership with Sonae has been proven, leading to the idea that enhancing it and extracting the most value out of it as possible is the way to go.

For this reason, Animalife's President has set up a meeting with the Directors from the Social Responsibility Department from Sonae, for next week. He will sit down with his team tomorrow in the conference room at the small basement office in Saldanha, to discuss *how Animalife and SONAE can develop their partnership to simultaneously increase the social and economic value*. Bearing in mind Animalife's strategy and approach, how can the process of instigating a mindset change be accelerated, without compromising Animalife's ability to:

- Ensure the primary needs of the animals supported are satisfied; and to
- Be financially sustainable while doing so.

After discussing some ideas internally, Rodrigo will try to convince the Directors of the tremendous importance of such closer connection, reminding them of all the progress that has been done and enhancing Sonae's role on this whole process.

¹⁷ Liga Portuguesa dos Direitos do Animal (LPDA)

Chapter III – Literature Review

3.1. THE RISE OF SOCIAL ENTREPRENEURSHIP

The demand for a “more ethical and socially inclusive capitalism” (Dacin et al., 2011, p. 3) has been on the rise over the past three decades (Austin et al. 2006, Dacin et al. 2010, Mair and Marti 2006). This poses exciting challenges to the boundaries between the for-profit and not-for-profit sectors (Dees and Anderson, 2003), where two distinct organizational forms used to be comprised (Battilana and Lee, 2014). However, societal needs, together with economic ones, have been recognized as elements defining markets (Porter and Kramer, 2011). In fact, evidence shows that consumers’ buying decisions have become more complex. Ethical issues have been weighing in on their preferences (Nicholls and Opal, 2005), and the introduction of the concept of Corporate Social Responsibility (Friedman and Miles, 2001) has led for-profit companies to have a more active engagement with society. Meanwhile, within the not-for-profit sector, the need to find alternative sources of funding has led organizations to improve their efficiency and accountability (Chetkovich and Frumkin, 2003), and to integrate commercial activities in their business model (Defourny and Nyssens, 2006; Eikenberry and Kluver, 2004; Kerlin, 2006).

In turn, these circumstances and the increasingly blurred boundaries between the for-profit and not-for-profit sectors (Battilana, Lee, Walker and Dorsey, 2012; Billis, 2010; Weisbrod, 1998) have been driving a convergence of both. This gave rise to the concept of *hybrid organizations* (Battilana and Lee 2014), which incorporate characteristics of both organizational forms (Galaskiewicz and Barringer, 2012; Haverman and Rao, 2006). The theory has been advancing over this topic, with some more recent research focusing on *social enterprises* as the “ideal type of hybrid organization” (Battilana and Lee, 2014, p. 397). *Social Entrepreneurship* is considered as one of the “very latest fashion trends” equally affecting researchers, politicians and the media (Dey 2006, p. 121), through initiatives that consistently focus on issues with a “local expression but global relevance” (Santos 2012, p. 2).

By combining for-profit with not-for-profit activities at its essential core (Battilana and Dorado, 2010; Pache and Santos, 2012), social enterprises distance themselves from the typical philanthropy activities that tend to dominate the social sector. Their sustainability thus depends on the continuous and simultaneous improvement of their social purpose and financial performance (Battilana and Lee, 2014).

3.2. DEFINING SOCIAL ENTREPRENEURSHIP

Entrepreneurship, at its core, is the primary driver of the business sector's growth, as well as the rapid expansion of the social sector (Austin et al., 2006). Evidence shows that the appearance of social entrepreneurship, a new organizational form, is having "profound implications in the economic system" (Santos 2012, p. 2).

Though the statements defining social entrepreneurship are many (Dees, 1998), two leading lines of reasoning may be identified: one focusing on the blending of social activities with commercial ones (Dorado, 2006; Austin, Stevenson and Wei-Skiller, 2003); and the other one highlighting enterprises' primary focus on the achievement of social objectives, rather than economic ones (Dacin, Dacin and Matear, 2007). The latter seems to be the one picking up the pace, as several recent studies have been conducted through this assertion (Santos, 2012; Dacin et al., 2011; Mair and Marti, 2006; Austin et al., 2006).

Within the second line of reasoning, Santos (2012) distinguishes between *value creation* and *value capture*: social enterprises predominantly focus on value creation, while value capture is only satisfied to the point where it guarantees enough surplus to sustainably conduct its activities and to re-invest in growth. This contrasts with the concept of commercial entrepreneurship. On that account, critics have emerged over the idea of satisficing value capture, with two different lines of thoughts stepping in the way: one stating that all profits should be reinvested in growth (Yunus et al., 2010; Kickul, Terjesen, Bacq and Griffiths, 2012), whilst the other one defends the gains from incorporating social aims with the profit ones (Dees and Anderson, 2003; Mair and Martí, 2006, Porter and Kramer, 2011). On this matter, Agafonow (2014) introduces the concept of *value devolution*, alienated to the proposition that by maximizing output instead of profits and thus enlarging production beyond what for-profits would consider as an optimal point, social enterprises prevent mission drift and can reach a broader range of disadvantaged consumers. In essence, these are the target of social entrepreneurs, who are characterized by their willingness to pay but with an inability to pay (Seelos and Mair, 2005). Hence, social entrepreneurial activities act where the more severe market and government failures occur (Santos, 2012).

The more generally accepted idea of what social entrepreneurship indeed entails seems to be one based on an approach that integrates economic and social value creation (Mair and Marti, 2006). Though the higher relevance is given to social objectives, economic value creation is "crucial for the sustainability" of these ventures (Dacin et al., 2011, p. 1205).

3.3. A CALL FOR COLLABORATION – FOR & NOT-FOR PROFIT

Santos (2012) argues that social entrepreneurship systematically identifies neglected positive externalities and creates mechanisms that, in turn, integrate them into the economic system. Nonetheless, in today's globalized society, most social problems are too large and too complex for any single organization to be able to solve them (Hanleybrown, Kania and Kramer, 2012; Montgomery et al., 2012). Thus, the solution lies in an improved cross-sector coordination (Kania and Kramer, 2011). *Collective social entrepreneurship* (Montgomery et al., 2012) can be achieved through cross-sector partnerships between government, business and not-for-profit entities (Austin, 2000; Selsky and Parker, 2005), as a way of providing a more effective approach to solve complex social problems (Vurro et al., 2010). In fact, cross-sector partnerships, primarily between businesses and not-for-profit organizations, have been significantly increasing.

In this sense, Austin and Seitanidi (2012) have developed a framework with the aim of analyzing social partnerships between businesses (for-profit) and not-for-profit organizations. Based on the premise that *value creation* is the main reason for engaging in cross-sector partnerships (Austin, 2010), the *Collaborative Value Creation (CVC)* framework provides an assessment of the most effective way to engage in a powerful creation of social and economic value for society.

3.3.1 COLLABORATIVE VALUE CREATION (CVC) FRAMEWORK

Austin and Seitanidi (2012) have identified relevant gaps amidst the process of social value creation. Such ambiguities prevent a complete comprehension of the effect of collaboration partnerships, for which the *Collaborative Value Creation* framework offers a solution. Firstly, there is a lack of agreement on what value stands for, an idea also stated by Santos (2012). Secondly, it is hard to establish the specific accountability of each partner on the effects of the partnership. By *Collaborative Value*, it is meant the long-term net gains spawned by the cooperation between the partners and that add to “organizations, individuals, and society.” (Austin and Seitanidi, 2012, p. 728)

Given the fact that society is the main target of the social partnerships' outcomes (Martin and Osberg, 2007), the visibility acquired for these collaborations can become very substantial. Consequently, Austin and Seitanidi (2012) highlight the fact that partners must assess their *organizational fit*. The more the missions are aligned, the higher the importance of the

relationship between them. This way, they will be able to depict their shared interests and how those can improve societal welfare. The greater the organizational fit, the greater the visibility fit and thus the greater the potential for collaborative value creation.

3.3.1.1. The Value Creation Spectrum

The *Value Creation Spectrum* provides a more specific set of concepts that can be used to examine how non-profits and businesses join in the process of *collaborative value creation*. At the same time, it enables the assessment of how the gains from the different collaboration dynamics arise. It identifies four potential *sources of value* that, when combined, produce four different *types of collaborative value*, shifting the partnership from the *sole creation* level towards the *co-creation* one. This idea goes in line with what Kania and Kramer (2011) define as *isolated impact* and *collective impact*, respectively.

In this regard, the initial level of *sole value creation* represents the social and economic impact of the efforts from one independent entity, without being somehow connected with others (Austin and Seitanidi, 2012). It belies an idea laid on the search for an effective mechanism which is incorporated in one single entity, financially investing in it and expect that this same mechanism will be extensively reproduced (Kania and Kramer, 2011). The more impactful value is then generated at the *co-creation* level, meaning the consolidated efforts of long-term partnerships between a group of relevant collaborators from distinct sectors (business, non-profit or government). These possess a shared and common understanding of the problem that needs to be solved and, in the way, develop a plan of action that integrates, coordinates and materializes the responsibilities, efforts and actions of each one of them to reach an effective solution (Kania and Kramer, 2011; Austin and Seitanidi, 2012). The more sustainable it is, the more effective it becomes (Santos, 2012), in the sense that the solution developed tackles the actual source of the problem or that it institutionalizes a mechanism systematically tackling it. This reasoning is identified by Hanleybrown et al. (2012) as the Stage III – Sustain Action and Impact – on the process of *collective impact* creation.

3.3.1.1.1. Sources of Value

To appropriately grasp the notion of how value is created, it is essential to understand where it emanates from. By asking the right questions, one can seize the right answers. Hence, it is asked: «*Why* would different entities with different maximization problems (profit vs. social

welfare) come together in the creation of value?», «*What* should the partners share to achieve their purpose?» and «*How* can the partners do so?».

3.3.1.1.1.1. Linked interests

Linked interests are intrinsically attached to each partner's motivations to initiate a collaborative arrangement and, in a sense, the extent to which they are connected, and how similar they are to each other's. Value is only created to one of the partners if it is, at the same time, created for the other. A *common agenda* (Hanleybrown et al., 2012) is a key condition for the success of social progress initiatives established through collaboration agreements. It means that the partners possess a mutual perception and awareness of the problem in hands, sharing the same main goals and thus establishing a collective and coordinated approach to tackle it. Hence, Austin and Seitanidi (2012) state that it is essential to examine how value is understood by both partners, making sure that the value exchange is anticipated as equitable between both, though the objective functions and the way value is measured might differ.

Thereupon, the inference is that the more the interests of the partners are linked to an equitable creation of value to each other and for society, the greater the potential for the creation of collaborative value.

3.3.1.1.1.2. Resource Complementarity

Austin and Seitanidi (2012) affirm that the essential core for collaboration is the access to resources that one does not possess. For not-for-profit entities, acquiring access to other resources is particularly relevant, as they are usually heavily constricted (e.g., financing; human resources). In this case, instead of directing efforts to fulfill these needs by replicating resources that are already owned by others in the market, not-for-profit organizations can establish a relationship with the ones who already own those. In return, they can provide them with their resources, which usually are held by no other entity, thus complementing each other.

Thereupon, the inference is that the more the resources from the different entities complement each other and the more their activities are mutually reinforced, the greater the potential for the creation of collaborative value.

3.3.1.1.1.3. Resource Nature

At this stage, it is assumed that not all types of resources posit the same potential for the creation of value. Hence, two distinct categories are defined:

- *generic resources* entail those that, generally, any entity possesses (e.g., money, reputation) and that can be largely replicated by any other; and

- *organization-specific resources* (e.g., knowledge, capabilities, infrastructure) entail those that are uniquely intrinsic to an entity's business. They are usually developed through time, hard to replicate by any other and the ones that offer the highest value.

Thereupon, the inference is that the more the partners catalyze their organization-specific resources into the collaboration process, the greater the potential for the creation of collaborative value.

3.3.1.1.4. Resource Directionality and Use

By directionality and use it is meant *how* the resources are deployed to create value. Different dynamics of collaboration determine the way resources are shared, which in turn determines the extent to which collaborative value is thus created. Resources may be deployed in the following ways:

- *unilaterally*, where resources shared usually come primarily (or most cases, uniquely) from the for-profit partner; or
- *bilaterally and reciprocally*, where resources are collectively shared by both partners, ultimately producing services or activities that neither entity could have solely or parallelly created.

Thereupon, the inference is that the more the partners collectively catalyze their resources, the greater the potential for the creation of collaborative value.

3.3.1.1.2. Types of Value

Depending on the sources of value deployed, the value arising from the partnership differs. The engagement in collaboration efforts is only possible due to the foreseen advantages (Wood and Gray, 1991) that the entities involved might benefit from. In a general conceptualization, the main benefit for the non-profit partner is given by the strengthening of its social mission, whilst for the business partner is given by the strengthening of both its financial performance and corporate sustainability. The benefits accrued to the individuals belonging to each partner organization can be folded into *instrumental* (managerial skills, leadership opportunities, technical and sector knowledge, broadened perspectives) and *psychological* (individual's personal satisfaction accruing from the contribution made to society and closer relationships with individuals from the partner organization; personal growth and reduction of the stress levels (Bhattacharya et al., 2009)).

Nonetheless, cross-sector partnerships purpose is to tackle social problems (Waddock, 1988), ergo creating value at a macro level – that is to say, society. Although the effect of such initiatives has not yet been thoroughly studied at this level, it is argued that social partnerships increase societal welfare by benefiting individuals other than the ones within the inner-sphere of the partnership, which would not have happened in any other way rather than by engaging in a cross-sector collaboration. These benefits may then be felt by individuals (the ones directly receiving the generated by the action of the partners), organizations (influencing the performance of other social, economic or political entities, in turn enlarging society’s ability to create social welfare); and society (contribution to a systematic change in institutional structures, sectoral relationships between and within sectors, societal principles and innovations on services and products at the social level).

All in all, different dynamics of collaboration lead to distinct types of value created. The following section seeks for their conceptualization, also providing insights on the specific benefits accruing to each partner, per each type (Appendix 14).

3.3.1.1.2.1. Associational Value

The *associational value* is no more than the benefit each partner gets just by establishing an affiliation with the other entity, which affects the way these entities are perceived by their stakeholders.

3.3.1.1.2.2. Transferred Resource Value

The *transferred resource* value is the benefit that one partner gets from receiving a resource from another organization – the amount of value created by this transaction will be determined by the nature of the assets exchanged (*generic* vs. *organization-specific*) and how they are catalyzed (*unilaterally* vs. *bilaterally and reciprocally*). Nevertheless, *value renewal* is a fundamental concept for the longevity of the partnership, meaning that this transfer of resources needs to be continuously repeated to be viewed as valuable by the receiving partner.

3.3.1.1.2.3. Interaction Value

The *interaction value* arises in the form of the intangible resources generated by the process of the partners working together, learning with and from each other, developing new kinds of knowledge, and building trustworthy relationships and long-standing reputations.

3.3.1.1.2.4. Synergistic Value

The *synergistic value* is created when a virtuous value cycle is established - the creation of social value, simultaneously or sequentially, generates economic value and vice-versa, to the extent that none of the partners could have separately achieved. It holds innovation as a driver (Holmes and Moir, 2007), with the potential of creating significant and constant transformation and advancement at the individual, organizational and societal levels.

3.3.1.2. The Collaboration Continuum

To identify and evaluate the effect of the different stages of a collaborative relationship and the nature of the value arising from it, Austin and Seitanidi (2012) use Austin's (2000) *collaboration continuum*. It is a somewhat dynamic snapshot of the heterogeneity of evolving relationships and the corresponding value creation process, which follows the analogy of the Value Creation Spectrum, from sole to collaborative creation of value. The shift from one stage of collaboration to the other underlies a more substantial creation of value but, at the same time, a higher joint integration of the partners' resources and knowledge, systematically tapping into the several sources of value. The collaboration continuum identifies four distinct stages of collaboration: philanthropic, transactional, integrative and transformational. Nevertheless, a collaboration agreement needs not to specifically start at the first stage and go through every other until reaching the last one – no stage requires a precedent one.

3.3.1.2.1. Philanthropic Collaborations

Philanthropic Collaborations are mainly characterized by the unilateral transfers usually performed by the company to the non-profit organization. They provide the latter with the necessary resources to sustain its activities and continue pursuing its social mission the way it has always been doing – hence, the degree to which knowledge is exchanged or created is meager. The value that may arise from here is *associational* and *transferred resource*. As the degree of interaction is commonly very limited and the functions are more independent, the value that arises is mainly due to sole creation, rather than co-creation.

3.3.1.2.2. Transactional Collaborations

Transactional Collaborations increase the amount of value generated by performing a shift from a unilateral exchange of resources to a bilateral and reciprocal one and from a generic to a more specialized nature. In turn, the resources exchanged tend to complement each other

in a more significant way, and partners start to realize that the presence of linked interests is core to achieving a common goal. Typically, transactional collaborations involve Corporate Volunteering initiatives, characterized by their highly defined structure, objectives, time frames, expected exchanges of assets and paid release time (Austin, 2000; Austin, Leonard, and Quinn, 2004). The value that may arise from here is *associational, transferred resource and interaction*.

By incorporating the value created and the resources already possessed by each partner into their strategies, the business and the not-for-profit are able to enhance their competitive advantage (Liu and Ko, 2011) and effectiveness on pursuing the social mission, respectively. However, given the greater visibility of this type of collaboration, there is also a greater risk of negative value creation (Andreasen, 1996; Haddad and Nanda, 2011; Wymer and Samu, 2003), more noticeably when the organizational compatibility between both partners is a misfit (Basil and Herr, 2003; Kim et al. 2011). As for the benefits inherent to the societal sphere, there will likely be an increase in the awareness for the cause and its possible solutions, due to the publicity generated by the partnership (Avon Foundation for Women, 2011).

3.3.1.2.3. *Integrative Collaboration*

In *Integrative Collaborations*, organizational fit plays a vital role. The missions, strategies, values, personnel, and activities experience organizational integration, changing the relationship between both partners in fundamental ways. Collaboration is faced as essential to the success of each of the parties involved, and a major part of the focus lies in the creation of a positive social impact. In turn, this will result in more meaningful relationships, derived from the closer and more vibrant connections between the partners, where trust is a crucial point on the creation of a more extensive interaction value. At this stage, the existence of linked interests clearly leads to synergistic value. The resource complementary is enhanced, and the directionality and use of the resources is bilateral and reciprocal, creating innovative solutions. According to Holmes and Moir (2007), innovation is most likely incremental when the collaboration has a narrow scope and radical when the scope is wider, eventually producing unexpected results. Integrative collaborations demand a higher complexity and a more organic nature, the deployment of more valuable resources, larger efforts from the managerial teams and a greater commitment from both parties.

3.3.1.2.4. *Transformational Collaboration*

Transformational Collaborations build on but move beyond the integrative stage towards a higher level of convergence, interdependence and collective action. The primary focus in this stage is to collaboratively create transformative change at the societal level (in contrast with the integrative stage, where the benefits to each partner remain a priority over society). More than creating social innovation, transformational collaborations create disruptive social innovation, leading to the concept of *collaborative social entrepreneurship*, which in its essence “aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large.” (Martin and Osberg, 2007, p. 34-35) For such effect to arise, a shared learning towards the social needs and each partner’s roles in meeting those needs is fundamental, at the same time as the end beneficiaries of the actions performed are brought to take a more active role in the solutions.

The ultimate consequence of this type of collaboration is an actual *system change* - as the problems being addressed become more urgent and more complex, collaborative networks will emerge as system change vehicles (Svendsen and Laberge, 2006). This leads the collaboration’s transformational effects to be more than just within the social, economic and political spheres, but also in the organizations’ structure and its people.

Chapter IV – Teaching Note

4.1. INTRODUCTION

This case study portrays Animalife's endeavors to change an outdated mentality over the animal abandonment issue, by tackling its root causes and promoting a fundamental institutional change. It depicts the association's distinctive approach and highlights the strategic importance of the partnership it holds with Sonae MC since 2012. By exposing the two entities' resources, this case study wishes to help Rodrigo Livreiro, Animalife's founder and President, uncovering the yet unleashed potential of such collaboration and how it can, in turn, be converted into higher social and economic value. In that sense, the collaborative value creation framework presented in the Literature Review chapter should be used to assess this challenge.

4.2. CASE OVERVIEW

Unlike most animal protection organizations in Portugal, Animalife tried to understand the reasons leading people to abandon their animals, concluding that financial distresses are at the heart of the problem. The fact that there is no social support system in place that addresses these issues, for people who have animals at their responsibility, made Animalife realize it needed to adopt a more direct approach. Hence, it works hand in hand with social institutions, by integrating them into their approach of providing support to these households, and whose role is to identify and redirect them to Animalife. As of now, the association works an intermediary, establishing the connection between the most primary needs of the animals – feeding and basic veterinary proceedings - and the resources needed to satisfy them – food and money. However, it simultaneously educates these institutions to adopt an approach that genuinely concerns about the necessities of these disadvantaged people, by taking into account the benefits pets provide to their owners' social reintegration. Amidst this process, Animalife promotes a fundamental system change, both in law, regulation and mindset.

Nevertheless, promoting such a substantial change is a lengthy and challenging process. Since 2012, Animalife holds a partnership with Sonae MC, which enables the association to organize a bi-annual food collection campaign at its food retailing stores all over the country (257 in 2017). It is then distributed to animal protection associations, homeless people in Lisbon and Oporto and to the families it supports. However, this latter group is only possible to be

served if there is an Animalife's Service Centre in place, which requires a structure that identifies the families and a body of volunteers to take care of the operations' logistics.

Being an ambitious organization and having already accomplished so much, Animalife is determined to grow. It has the right knowledge to do so, but not the capacity - for that, it needs Sonae to enhance its commitment. Convinced both entities share the same interest towards the animal cause, Rodrigo is putting thought on a strategy leading to a sustainable social and economic value creation. He needs to understand what and how resources could be deployed, bearing in mind the impact on the overall strategy.

4.3. LEARNING OBJECTIVES

The spotlight of this case study lies on the complexity of for-profit and not-for-profit partnerships, providing a theoretical discussion on how to identify, deploy and materialize the right resources for a greater creation of social and economic value. At the end of the analysis, the student should be able to identify and understand:

- The sources from which value can emanate from in a partnership, and to which extent it is created;
- The links between those sources and how different combinations can lead to different types of value;
- The process leading towards a collaborative creation of value, by analyzing the current status of a partnership and how it can be advanced.

4.4. ASSIGNMENT QUESTIONS

The assignment questions are meant to guide the students through the analysis of this case, aimed at providing a feasible solution to the challenges faced by the association. It allows the students to apply their theoretical managerial *know how* onto an issue of an increasing importance – social partnerships. For that matter, the assignment questions are:

1. What is the current status of the partnership?
 - a. Identify and evaluate the sources of value
 - b. Identify the types of value created
 - c. Classify the partnership's stage of collaboration
2. How can it be developed towards a greater creation of collaborative value?

4.5. CLASS DISCUSSION

The featured case study is structured for a 90-minute in-class teaching discussion, which should be based upon the process of collaborative value creation. The two questions above provide the insights for conducting a structured analysis.

4.5.1 INTRODUCTION

To provide a theoretical contextualization and framing of the case study, the instructor should commence with a 15-minute discussion around:

- The concepts of *social entrepreneurship* and *collaborative value creation*, highlighting:
 - the simultaneous creation of social and economic value;
 - the internalization of neglected positive externalities into a mechanism that systematically tackles them;
 - the greater effectiveness of an approach which engages in cross-sector collaborations to solve complex problems.
- Animalife’s national-expansion strategy and the partnership approach used to accomplish it, whilst establishing linkages with the concepts presented;

By the end of the introduction, students should possess a clear understanding of the challenges the association is currently facing and how its strategy has led to them. Indeed, the instructor should challenge the students to build a schematic diagram of the strategy, as it is exemplified by Figure 6.

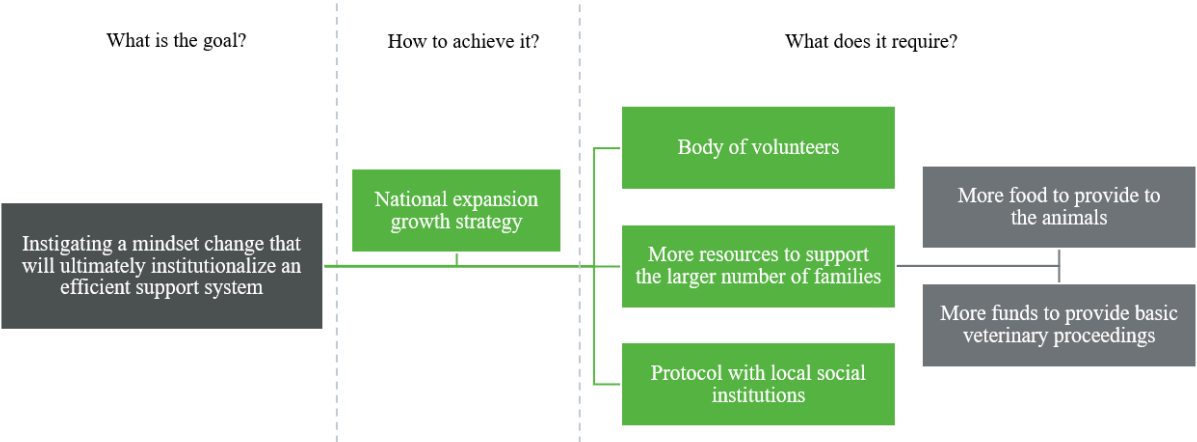


FIGURE 6 - ANIMALIFE'S STRATEGY

4.5.2 WHAT IS THE CURRENT STATUS OF THE PARTNERSHIP?

The first question of this assignment focuses on a thorough analysis of the partnership currently held between Animalife and Sonae. Overall, students should spend around 45 minutes solving it, using the collaborative value creation framework.

However, firstly the instructor should conduct a discussion lasting no more than 10 minutes, to **identify** the resources possessed by each one of the partners. Table 4 provides such a suggestion, though further alternatives may be encountered during the class discussion.

ANIMALIFE	<i>Tangible</i>	<ul style="list-style-type: none"> ▪ Volunteers (80 working daily + 3 000 for the Animal Solidarity Bank campaigns) ▪ Service Centres (Figure 2) ▪ Network of beneficiaries, partners, donors, and supporters ▪ Fragile financial capacity
	<i>Intangible</i>	<ul style="list-style-type: none"> ▪ Credibility (consistently showing off excellent results) ▪ Know How (emotional drivers affecting animal-product consuming behaviors; How to organize animal-related events and initiatives, how to approach the beneficiaries) ▪ Brand reputation (awarded several recognitions; renowned in several media channels)
SONAE	<i>Tangible</i>	<ul style="list-style-type: none"> ▪ +44 thousand employees ▪ Network of food retail stores (Figure 3) ▪ Online grocery shopping service ▪ Distribution network for home delivery services ▪ Large financial capacity ▪ Own-Brand products (cheaper, relevant % of overall sales; 70% produced in Portugal)
	<i>Intangible</i>	<ul style="list-style-type: none"> ▪ High consumer loyalty (90% of sales with Cartão Continente) ▪ Brand Reputation (11x Trusted Brand; Pet Continente amongst the most popular animal product brands) ▪ Socially responsible mindset (10M€ for CSR; Community Day; Missão Continente) ▪ Close connection with animal product consumers (Animal section on the website for product selling; Pet Continente – website and brand; Portfolio of 29 animal product brands; ZU (training, clinical services, and grooming)) ▪ Significant market share (represent potential donors & larger potential for awareness creation) ▪ Massive exposure due to the marketing and promotion tools ▪ Managerial Recognitions (CIO of the Year; Portugal Digital Awards, etc.)

TABLE 4 - RESOURCES POSSESSED BY EACH PARTNER

After this stage, the class discussion should be guided towards a narrower focus on the partnership. The following two-step process should guide the students towards the partnership classification, concerning the present stage of collaboration.

4.5.2.1. Identify and evaluate the sources of value

To initiate a 15-minute discussion over this first sub-question, the instructor should present the four different sources of value covered by the Collaborative Value Creation framework – linked interests, resource complementarity, resource nature and resource directionality & use. The instructor should then move forward to the **identification and evaluation** of the **sources** from which value is being created, for which it is advised:

- Students should be led to assume that an analysis of the **linked interests** can be neglected, as:
 - both entities found a common motivation to give rise to the partnership;
 - evidence shows an increasing mutual and equitable creation of value for both partners (Figure 4 and Figure 5);
 - the deeper integration appears to be leading to closer interests and goals.
- For the evaluation of these elements, the instructor should advise students to adopt a scale of *Low*, *Medium*, and *High*, when referring to the degree to which resources are deployed, based on the inferences underlying each source.

Henceforth, the analysis should only focus on the **resources being deployed by each partner**, which can be identified with resort to Table 4. The outcome of this process should be similar to the one given in Table 5 and Table 6, presented below.

RESOURCES CURRENTLY DEPLOYED	
ANIMALIFE	SONAE
(A1) Fragile financial capacity (A2) Volunteers (3 000) (A3) Credibility (A4) Brand Reputation	(S1) Network of food retail stores (excluding Meu Super stores) (S2) Large Financial capacity (S3) Socially responsible mindset (S4) Significant market share (customers base)

TABLE 5 - RESOURCES CURRENTLY DEPLOYED FOR THE PARTNERSHIP

		EXAMINATION	EVALUATION
SOURCE OF VALUE	Resource Complementarity	The complementarity of both partners' resources has been showing off very positive results, mainly (A2) and (S1)+(S4). However, other resources could be deployed, instead of each partner needing to create those separately (e.g., Animalife needs to use (A1) to engage in promotion efforts, whilst Sonae has the necessary resources, such as money and audience reach)	Medium
	Resource Nature	The nature of the resources shared is, for the most part, extremely generic , as they can be largely replicated. E.g.: (S1) and (S4) are not resource exclusively owned by Sonae; (S2), money, is essentially owned by every company; (A2) as 12% of the Portuguese population practices volunteering work. ¹⁸	Low
	Resource Directionality & Use	The resources are primarily being deployed in a unilateral direction, mostly from Sonae to Animalife.	Low

TABLE 6 - ANALYSIS OF CURRENT PARTNERSHIP'S SOURCES OF VALUE

The instructor should lead the students to conclude that the sources of value are not fully exploited and hence there is much potential value to be extracted from this partnership – a reasoning based on the inferences underlying each assumption.

4.5.2.2. Identify the types of value created

A 10-minute discussion should follow, commencing with a presentation of the four different **types of value** created. Subsequently, students are expected to draw a connection between the analysis performed on the previous sub-question and these new concepts. In that sense, the instructor is prompted to encourage the students to sketch a table depicting the benefits accruing to each partner, per type of value. Table 7 below should be a proxy for what is desired from the students.

At the end of the analysis, the instructor should let the students conclude that due to the limited nature of the interaction between the partners, the benefits accrued to each of them are more significant within the first levels of the types of value. To engage in a more significant value creation, the relationship needs to be fostered.

¹⁸ Martins, I. (2016, December 20). Portugueses são dos europeus que menos fazem voluntariado. *Diário de Notícias*. Retrieved from <https://www.dn.pt/sociedade/interior/portugueses-sao-dos-europeus-que-menos-fazem-voluntariado-5562864.html>

		ANIMALIFE	SONAE
TYPE OF VALUE	Associational	<p>Credibility, for being chosen by a partner with such exposure;</p> <p>Higher visibility and increasing awareness for the animal cause and the abandonment issue;</p> <p>Potential increase of donors and supporters.</p>	<p>Credibility and legitimacy of its CSR strategy, for holding such campaign, with such reputed association;</p> <p>Increased sales (higher than on a regular day & potential revenue increase from other suppliers for better product placement during the BAS);</p> <p>Enhanced media exposure.</p>
	Transferred Resource	<p>Financial support (only for t-shirts and flyers)</p> <p>Facilities in which campaigns are conducted;</p> <p>Sonae's customers, who enlarge Animalife's network of potential donors for the campaign.</p>	<p>Barely any, as there is no significant transfer of resources from Animalife to Sonae.</p>
	Interaction	None	<p>Technical expertise in the organization of animal-related activities (though limited due to nature of interaction)</p>
	Synergistic	None	None

TABLE 7 - VALUE ACCRUING TO EACH PARTNER

4.5.2.3. Classify the partnership's stage of collaboration

To initiate the discussion over this third and last sub-question, leading to the **classification** of the partnership, the instructor should introduce the students the concept of **stages of collaboration**: philanthropic, transactional, integrative and synergistic. More than just presenting the concept, the instructor should be able to clearly transmit the following ideas:

- It is a dynamic and continuously evolving process, beginning at the level of *sole* creation of value to a *collaborative* one;
- The more the collaboration moves forward, the larger the creation of social and economic value.

The class discussion, lasting around 10 minutes, should then proceed towards the statement that the current partnership is on the **Philanthropic** collaboration stage, based on the suggested following arguments:

- Due to the low level of interaction, the value created is, necessarily, *associational* and *transferred resource*; and
- The nature of resources exchanged is primarily generic and performed in a unilateral way, enough to allow the association to sustain its current operations.

4.5.3 HOW CAN IT BE ADVANCED TOWARDS A GREATER CREATION OF COLLABORATIVE VALUE?

Once the students have grasped the notions behind the collaborative value creation framework, the class discussion can move on to a 15-minute discussion with the purpose of finding a **managerial solution** enabling the **advancement** of the partnership. The concept of *value devolution* is advised to be introduced at this stage, emphasizing the output maximization mechanism.

At a first stage, the instructor is advised to use once again Table 4 to identify the resources not yet deployed by the partners. Afterwards, students should be reminded of the conclusions extracted from Table 6. Such reasoning will allow them to identify the potential intermingling of resources that will allow for the creation of collaborative value on a larger scale.

Table 8 below presents potential managerial solutions. If both partners recognize these several sources, the collaboration dynamics have the potential to fundamentally change for the better. By tapping into the right resources and more effectively integrate them into the approach, the partnership moves closer to the next collaboration stages, where value created is larger. Thus, if the complementarities presented on Table 8 were to be deployed, Animalife and Sonae would become closer to generating collaborative value. On the one hand, social wise, as more families would be helped and the social services and institutions would be closer to integrate animals into their support systems. On the other hand, economic wise, as more capital would be exchanged between producers, suppliers, and consumers, and thus more wealth would be generated.

POTENTIAL RESOURCES' DEPLOYMENT	
SOURCE OF VALUE	<p>Resource Complementarity</p> <div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); background-color: #C8E6C9; padding: 5px;">SONAE</div> <div style="flex-grow: 1;"> <ul style="list-style-type: none"> ▪ Sonae could enlarge its network of food retailers by including the stores Meu Super, which would <u>more than double</u> the number of stores in which the campaigns are run, with an expected increase of 251 203 kg of food donated (Appendix 15); <ul style="list-style-type: none"> - more volunteers would be necessary: thus, Sonae could internally promote this activity to its employees; ▪ During the campaigns, the profits arising from the purchases of own-brand animal products could be turned into food donations (<i>value devolution</i>). Expected increase: 49 949 kg (Appendix 16); <ul style="list-style-type: none"> ➔ Total increase: 301 152 kg of food, <i>ceteris paribus</i> ▪ Sonae could use its distribution network to deliver food, once a month, to people with mobility difficulties (e.g., elderly and disabled); ▪ With its promotion channels, Sonae could increase the awareness: <ul style="list-style-type: none"> - For the purpose of the campaigns, to attract more donors; - For general purposes, to increase the awareness for Animalife and the cause, thus potentially increasing the number of <i>Animalife Supporters</i> (the largest source of funding). ▪ The 2% Minimum Discount Guarantee (provided by Cartão Continente) could be, at least in part, reverted to Animalife; ▪ Sonae could make ZU a new clinical partner of Animalife, with lower prices for basic veterinary proceedings, as they are mainly located in areas in which Animalife already has Service Centres; ▪ As Sonae is distinguished for its excellence on the management of Information and Communication technologies, it could help Animalife improve this process throughout its national expansion, which comes with an enlarged effort to connect all Service Centres. </div> </div>
	<div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); background-color: #C8E6C9; padding: 5px;">ANIMALIFE</div> <div style="flex-grow: 1;"> <ul style="list-style-type: none"> ▪ To create new Service Centres all around the country, Animalife could educate and train several Sonae's volunteers, who would be in charge of the logistical and operational requirements; ▪ Animalife has the know how to help Sonae increase its employees' motivation (managing 80 people daily, who work on a voluntary basis, requires a high degree of motivation management) <ul style="list-style-type: none"> - Both actions could develop new skills for Sonae's employees </div> </div>
Resource Nature	The nature of resources would go from <i>generic</i> to organization-specific .
Resource Directionality & Use	The deployment of resources would change from <i>unilaterally</i> to bilaterally and reciprocally .

TABLE 8 - POTENTIAL IMPROVEMENTS OF PARTNERSHIP'S SOURCES OF VALUE

4.6. CLASS CONCLUSION & FINAL REMARKS

The remaining 15 minutes of the teaching discussion should be devoted to synthesize the conclusions gathered throughout the case analysis and to assess the expected effects of the managerial solution encountered on Animalife's strategy, as suggested on Figure 7. At last, students should be made aware of the importance of the *organizational fit* between the entities when establishing a partnership. The misfit between the partners leads to costs that both will have to bear.

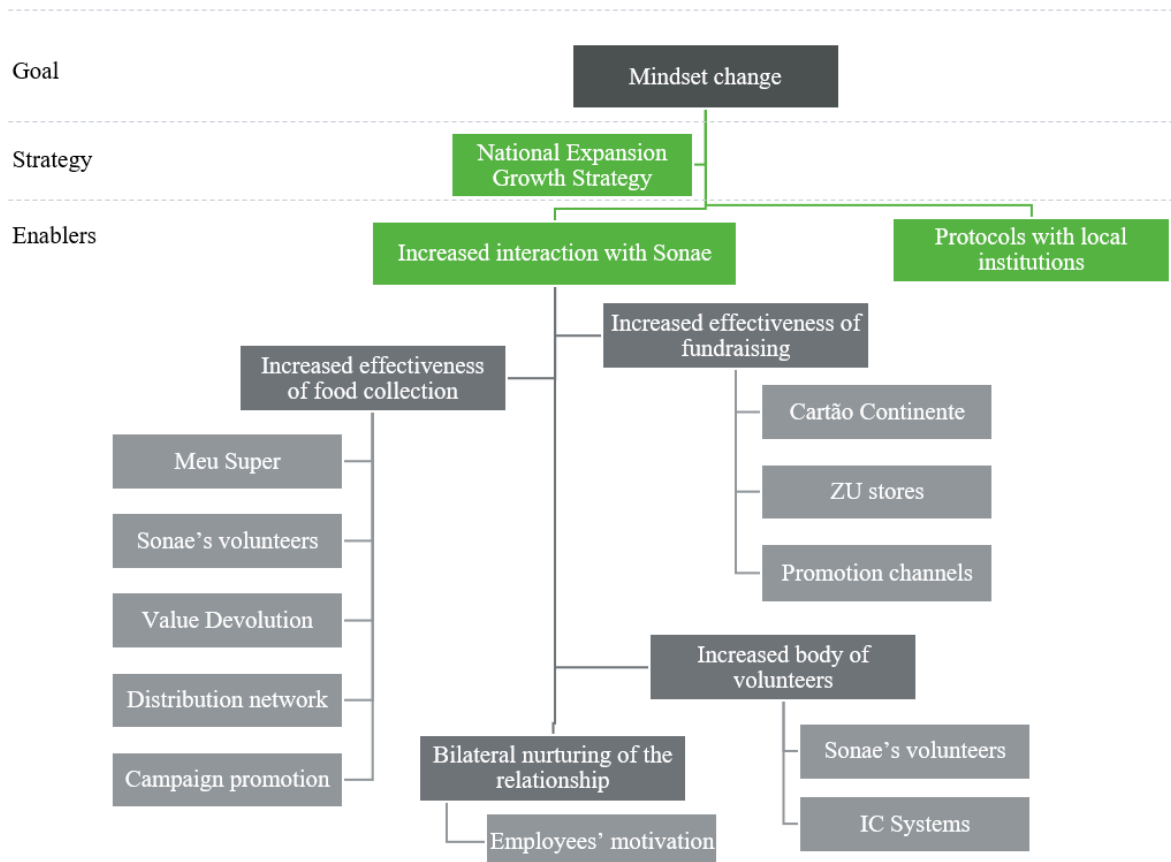


FIGURE 7 - SYNTHESIS OF POTENTIAL MANAGERIAL SOLUTION

Chapter V - Conclusions

It is my personal belief that there already enough social organizations tackling societal problems not efficiently addressed by the governmental structures. Through the volunteering work I have been developing over the years, I was able to relate to the critique mentioning the lack of managerial knowledge and effectiveness of such organizations. In this sense, as a management student, I believe that a closer integration between society and the business world should and is slowly being established.

Due to the potential high visibility of the relationship between Animalife and Sonae, I reckoned the advancement of such partnership would redeem as impactful for society. For that matter, the methodology emphasized an assessment of the resources currently used and how others could be deployed such that their complementarity, nature, direction, and use would be enhanced. In this regard, the solutions I hereby provide for the managerial problem at hands focus on increasing the effectiveness of the food collection campaigns, and of Animalife's fundraising and body of volunteers, as a way to enhance the interaction between both partners. Throughout this study, the centrality of such measures was always placed according to Animalife's short and long-term strategies – ensuring a feeding source and basic veterinary proceedings for its beneficiaries, and instigating a mindset change of the social institutions who currently disregard animals from their support system, respectively.

Though, on paper, the solutions presented can be regarded as reasonable and potentially actionable, in real life they may be harder to implement. This because I believe the business world nowadays lives in a paradigm of *wanting to do good but for now appearing to do good is enough*. I am not affirming this is Sonae's situation, as I am not sufficiently involved with this company's activities to be able to state such a thing. However, I am aware that a lot of persuasion and negotiation would be needed from Animalife to enable Sonae to see the actual value of these conjoint actions. One limitation of my analysis lies on the incapability to measure the effects of the food collection campaigns on the increase of, for example, the number of Animalife's donors and supporters or, on Sonae's side, the revenues generated from other purchases other than animal products for the campaign.

All in all, every relationship is about *giving and getting in return*. On that thought, Animalife should also be able to bring more added value to the table if it wishes to enhance the value extracted out of the partnership with Sonae, and vice-versa.

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APPENDICES

5.3. APPENDIX 1

	FAMILIES	HOMELESS	ASSOCIATIONS
COOPERATION PROTOCOL			
Cáritas	X		
CASA	X	X	
Comunidade Vida e Paz	X	X	
Coração na Rua	X	X	
Santa Casa da Misericórdia	X	X	
Refood Olivais	X		
Gebalis	X		
Câmara Municipal de Sintra	X	X	
Câmara Municipal de Oeiras	X	X	
Junta de Freguesia de Arroios	X	X	
Junta de Freguesia de Alcântara	X	X	
Junta de Freguesia de São Félix	X	X	
Junta de Freguesia Santo António	X	X	
Junta de Freguesia da Ajuda	X	X	
INSTITUTIONAL PARTNERS			
PSP Lisboa	X	X	
Casa dos Animais de Lisboa	X	X	
SONAE			X
VETERINARY MEDICAL SUPPORT			
Coolvet	X	X	X
AZP	X	X	X
Vet Galiza	X	X	X
Clínica Veterinária Francelos	X	X	X
Hospital Veterinário Arco do Cego	X	X	X
SOCIAL RESPONSIBILITY			
Cofidis	X		
Clube Desportivo Tranquilidade	X		

5.4. APPENDIX 2

LOCATION	SUPPORT PROGRAMS	INITIATIVES
Bragança	Support to Associations	Animal Solidarity Bank
Viana do Castelo	Support to Associations	Animal Solidarity Bank
Braga	Support to Associations	Animal Solidarity Bank Distribution Point Completa
Porto	Support to Associations Support to Families Support to Homeless	Animal Solidarity Bank Distribution Point Completa Service Centre Porto Service Centre Vila Nova de Gaia
Vila Real	Support to Associations	Animal Solidarity Bank
Aveiro	Support to Associations	Animal Solidarity Bank Distribution Point Completa
Viseu	Support to Associations	Animal Solidarity Bank
Guarda	Support to Associations	Animal Solidarity Bank
Coimbra	Support to Associations	Animal Solidarity Bank Distribution Point Completa
Leiria	Support to Associations	Animal Solidarity Bank Distribution Point Completa
Castelo Branco	Support to Associations	Animal Solidarity Bank
Santarém	Support to Associations	Animal Solidarity Bank
Portalegre	Support to Associations	Animal Solidarity Bank
Setúbal	Support to Associations Support to Families	Animal Solidarity Bank Distribution Point Completa Service Centre Seixal
Évora	Support to Associations	Animal Solidarity Bank
Beja	Support to Associations	Animal Solidarity Bank
Faro	Support to Associations	Animal Solidarity Bank Distribution Point Completa
Lisboa	Support to Associations Support to Families Support to Homeless	Animal Solidarity Bank Distribution Point Completa Service Centre Lisboa Service Centre Oeiras Service Centre Sintra Service Centre Cascais

5.5. APPENDIX 3

TRANSVERSAL TO THE THREE PROGRAMS		
<ul style="list-style-type: none"> ▪ To halt the increase in the number of pets abandoned on the streets ▪ To help easing the process of reintegration of their owners in the society by not setting them apart from their pets ▪ To offer them a greater quality of life ▪ To ensure the animals' primary needs are covered 		
FAMILIES	HOMELESS	ASSOCIATIONS
<ul style="list-style-type: none"> ▪ To guarantee the compliance with animal related regulatory issues ▪ To promote a more hygienic and healthy environment at the owners' home 	<ul style="list-style-type: none"> ▪ To proceed with the electronic identification of the animals through the implantation of a microchip 	<ul style="list-style-type: none"> ▪ To contribute for the increase in the number of pet adoptions ▪ To increase the rotativity of the shelters ▪ To foster the acquisition of competencies that make their job easier ▪ To ease the access of the associations to the food collection campaigns

5.6. APPENDIX 4



Inovretail
THE RETAIL INTELLIGENCE COMPANY

D&EPLY

Probe.ly

worten
resolve

worten
mobile

·B·A·G·G·A·

bizdirect



CONTINENTE
bon.dia

CONTINENTE

CONTINENTE
modelo



MO

MOVVO



note!

SONAE SIERRA



universo



wells+

ZU

LOSAN
happy fashion

elergone energias



OMETRIA

S21
SEC

Salsa

saphety

SONA ERP

STYLE SAGE

SPORT
ZONE

seguros
CONTINENTE

worten

ZIPPY

5.7. APPENDIX 5

SONAE MC – Food Retail, Health and Wellness	100%
<p>Continente, Continente Modelo and Continente Bom Dia, Meu Super, Bom Bocado, Bagga (cafeterias/restaurants), Go Natural (healthy food supermarkets and restaurants), Make Notes, Note! (book shops/stationery), ZU (dogs and cats products and services), Well's (health, well-being and eye care) and Dr. Well's (dental and aesthetic medicine clinics)</p>	
SONAE S&F – Sports and Fashion	100%
<p>Sonae's specialised retail in sports and fashion,: Sportzone, Berg Outdoor, Berg Cycle and Deeply (sports clothing, footwear and equipment), MO (clothing, footwear and accessories), Zippy (clothing, footwear and accessories for babies and children, and childcare products), Losan (specialised in children's clothing) and Salsa (jeans, clothing and accessories).</p>	
WORTEN – Electronics Retail	100%
<p>Sonae's specialised retail in electronics: Worten (consumer electronics and entertainment) and Worten Mobile (mobile telecommunications).</p>	
SONAE RP – Retail real estate assets	100%
<p>To optimise the management of Sonae's retail real estate portfolio,</p>	
SONAE FS – Financial Services	100%
<p>Responsible for fostering financial services. It includes the "Universo" card, "Dá" card, Continente Money Transfer, cross-selling over store credit services and also the insurance broker MDS.</p>	
SONAE IM – Investment Management	26% to 89.9%
<p>Portfolio strategy, with the objective of building and managing a portfolio of tech-based companies linked to retail and telecommunications. Currently: WeDo Technologies, Saphety, Bizdirect, S21sec, Movvo, Armilar, Inovretail, Bright Pixel and StyleSage.</p>	
SONAE SIERRA – Shopping Centres	50%
<p>International property company dedicated to serving the needs of retail real estate investors. Owner of 46 shopping centres with a total GLA of 2.3 million m2, in 11 countries. Responsible for the management and/or leasing of 64 shopping centres.</p>	
NOS – Telecommunications	23.4%
<p>Telecommunications and entertainment group which offers a wide range of telecommunication services to all market segments (residential, personal, corporate and wholesale), with a leading position in Pay TV, Next Generation Broadband services and in cinema film exhibition and distribution in Portugal. NOS is held by Sonaecom, which holds a co-controlling influence at the company, with a 26.1% participation through Zopt.</p>	

5.8. APPENDIX 6

Kaizen Institute Award	Recognizes the adoption of methodologies of continuous improvement as a strategical factor
CDP (Carbon Disclosure Project)	CDP focuses on the companies' awareness regarding their environmental footprint. Sonae is one of the Iberia's leaders being recognized by the CDP Index, achieving the Leadership A classification, as a result of its environmental report policy
Stevie Awards	Stevie Awards recognize the best practices, the best professionals and the organizations' success, all over the world. Sonae's website was distinguished in the category of Best Overall Web Design
European Excellence Awards	The European Excellence Awards recognize the best projects in the area of Communications as Public Relations. Sonae was awarded this recognition in the category External Publication due to its pioneer "Retail Book of Innovation'15"
Prémio Excelência – Inovação no Retalho	The award Prémio Excelência – Inovação no Retalho recognizes innovative approaches to business making, within the Portuguese retailing sector. Sonae was awarded with 4 prizes (Continente, Zippy, MO and note!)
Portugal Digital Awards	Portugal Digital Awards distinguish individualities or innovative and distinct projects within the digital transformation sphere. Worten and BIT obtained this distinction
Vertex Awards	The Vertex Awards are the only global awards exclusively dedicated to the art of packaging design for private labels. Sonae obtained 7 awards in 2016
CIO of the Year	The CIO of the Year by CIONET recognizes the excellence on the management of Information and Communication Technologies as a leverage for a sustainable future. David Alves, CIO of Sonae, was distinguished with this award.
(Others)	The customers recognized Sonae's efforts: 15 Consumers' Choice awards; 2 Portugal Superbrands awards; 6 Trusted Brand awards

5.9. APPENDIX 7

	Continente		Continente Modelo		Continente Bom dia		Meu Super	
	#	Growth (%)	#	Growth (%)	#	Growth (%)	#	Growth (%)
2011	40		105		26		9	
2012	38	-5,00%	108	2,86%	31	19,23%	25	177,78%
2013	40	5,26%	118	9,26%	36	16,13%	70	180,00%
2014	40	0,00%	121	2,54%	41	13,89%	140	100,00%
2015	40	0,00%	123	1,65%	52	26,83%	205	46,43%
2016	41	2,50%	130	5,69%	77	48,08%	260	26,83%
2017	41	0,00%	129	-0,77%	87	12,99%	283	8,85%

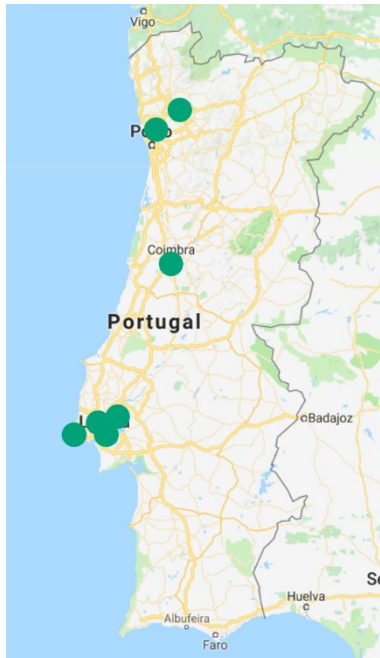
5.10. APPENDIX 8

TV adds	Flyers/Brochures	Direct mail	Email newsletters
Billboard adds	Store promotion	App Continente	Continente Online

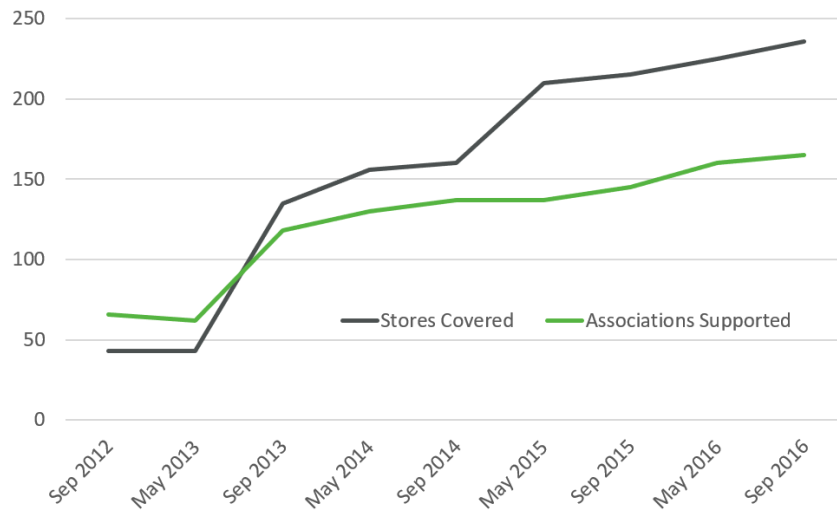
5.11. APPENDIX 9

Veterinary	Consultations	Grooming	Showers	Training	Individual
	Vaccination		With machine		Basic Obedience
	Deworming		With scissors		Advanced Obedience
	Microchip Implantation		Breed-specific		
	Scaling		Stripping		
	Clinical Analysis		Nails trimming		
	Surgery				
	Check Up				

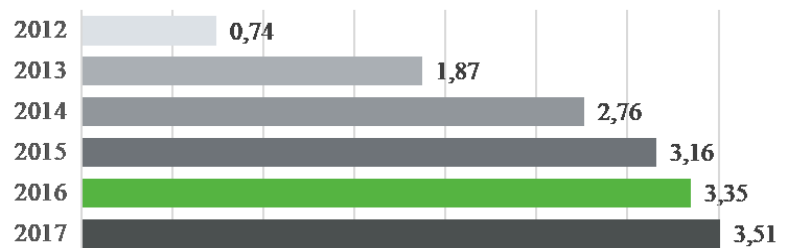
5.12. APPENDIX 10



5.13. APPENDIX 11



5.14. APPENDIX 12



Number of meals provided by food raised at BAS (in millions)

5.15. APPENDIX 13

Initial Assumptions

- (1) % Food raised per target animal is constant throughout the years;
- (2) % Food raised per target animal (dog or cat) are from 2016 but assumed constant throughout every year;
- (3) % Food raised per brand is said to be 95% for Sonae's own Brand *Continente* and 5% for other brands, as it is assumed people much more likely donate the cheapest products rather than the most expensive ones.

Food Raised (%)		BRAND	
PER TARGET ANIMAL		Continente	Others
Dog	72,6%	Cat Food	2,39 €
Cat	27,4%	Dog Food	1,54 €
PER BRAND		Price (WA)	
Continente (Sonae's own-brand)	95%		1,77 €
Others	5%		5,25 €

- (6) **Price (WA)** is the Weighted Average Price between % Food Raised per target Animal and the average price of food per target animal
 - a. **Rationale:** The average price of food was computed using a sample, for each target animal, of 80 products from *Continente Online*.

	Total Raised (kg)	ESTIMATED REVENUES		
		Continente (95%)	Others (5%)	TOTAL
2012	108220	182 287,68 €	28 387,07 €	210 674,75 €
2013	272478	458 966,76 €	71 473,40 €	530 440,16 €
2014	401556	676 388,03 €	105 331,70 €	781 719,73 €
2015	460076	774 960,15 €	120 682,01 €	895 642,17 €
2016	486890	820 126,13 €	127 715,56 €	947 841,69 €
2017	510795	860 392,13 €	133 986,06 €	994 378,19 €

5.16. APPENDIX 14

		NOT-FOR-PROFIT	FOR-PROFIT
TYPES OF VALUE	Associational	<p>Credibility (Austin, 2000; Googins and Rochlin, 2000) as it gets chosen by a company to be the beneficiary of its social endeavours - in turn, the higher visibility (Elkington and Fennell, 1998; Gourville and Rangan, 2004) and public awareness (Gourville and Rangan, 2004; Waddock and Post, 1995) created around the not-for-profit leads to a greater support of its social cause (Pearce and Doh, 2005). However, it may reduce potential donations from other sources (Gourville and Rangan, 2004) and an increased scepticism resulting in a decrease of volunteers and reputational damages (Yaziji and Doh, 2009).</p>	<p>Credibility (Austin, 2000; Googins and Rochlin, 2000); legitimacy gains (Glasbergen and Groenenberg, 2001; Heugens et al., 2002; Yaziji and Doh, 2009) and enhanced media exposure (Seitanidi, 2010) may lead to a boost of sales (Gourville and Rangan, 2004; Polonsky and Macdonald, 2000; Steckel and Simons, 1992) and a more active stakeholder engagement (Bowen et al., 2010). On the other hand, reputational damages may surge in case the partnership is not successful in tackling the social problem and thus an opportunity to make a difference was missed (Steckel, Simons, Simons and Tanen, 1999); increased employee affinity and increase job performance (Bartel, 2001)</p>
	Transferred Resource	<p>Financial aid (Brown and Kalegaonkar, 2002) enlargement of volunteers' network (Googins and Rochlin, 2000) and/or “complementary and organization-specific assets” (Austin and Seitanidi, 2012); specialized skills of company's volunteers (Kanter, 1999)</p>	<p>Increase of competitiveness levels (Porter and Kramer, 2002) due to the development of its “market intelligence” (Milne et al., 1996) and the generation of a “second-generation customers” (Seitanidi, 2010) is unleashed.</p>
	Interaction	<p>More effective approach due to the unique capabilities and knowledge that are created (Huxham, 1996; Porter and Kramer, 2011), the enlargement of their networks (Ishikawa and Morel, 2008) and the creation of a more prominent technical expertise (Stafford and Hartman, 1998)</p>	<p>The contact with a distinctive organizational culture (Seitanidi, 2010) allows the development of corporate values (Austin, 2000) whilst improving their relationship with the government and community around them (Pearce and Doh, 2005; Seitanidi, 2010). Moreover, other benefits are accrued to their employees (Bishop and Green, 2008) such as new skills development (Sagawa and Segal, 2000), investors (Gourville and Rangan, 2004) and consumers (Brown and Dacin, 1997)</p>
	Synergistic	<p>Improvement of their processes (Seitanidi, 2010), structure (Glasbergen, 2007) and leadership (Bryson and Crosby, 1992).</p>	<p>Chance to adopt new management practices (Drucker, 1989) and enhanced risk-management capabilities (Tully, 2004).</p>
		<p>The long-term value potential of both organizational forms is enlarged (Austin, 2000; Le Ber and Branzei, 2010), adding to the fact that their political power also becomes stronger (Seitanidi, 2010).</p>	

5.17. APPENDIX 15

Initial Assumption

- (1) For the sake of this analysis, the number of stores has been kept constant from 2017 to 2018 and also throughout the latter year
- (2) To take into consideration the potential amount raised at *Meu Super* stores, it is assumed that the Kg/Store of Food Raised is the same as in *Continente Bom Dia*, as they both are *Convenience Stores*
 - a. Note: this is rather an unlikely assumption given Sonae's recent expansion strategy. However, it is a good proxy for the impact of such measure.
- (3) The increase in the amount of food raised per store has been assumed as the same as in 2017
 - a. The growth of the amount of food raised has been stagnating (Figure 5). Thus, the potential growth from 2017 to 2018 can be neglected from this analysis.

		2018 (PREDICTION)			
		STORES	KG/STORE	TOTAL (KG)	TOTAL (%)
Continente	Hypermarket	41	4 995,29	204807,00	26,88%
Continente Modelo	Supermarket	129	1 773,36	228763,00	30,02%
Continente Bom Dia	Convenience Store	87	887,64	77225,00	10,13%
Meu Super	Convenience Store	283	887,64	251203,16	32,97%
		540	---	761998,16	100%

5.18. APPENDIX 16

- (1) Cost structure of animal food production is similar throughout all competitors;
- (2) Sonae's average profit margin on animal food is 3 times lower than its competitors'
- a. **Rationale:** Average price of Sonae's own brand is almost 3 times as lower as the one practiced by its competitors, assuming (1);
 - b. **Benchmark:** Nestlé's average profit on its animal food products is 20.7% (*Source:* Lucas, L., Jopson, B. (2012, September 30). Investors seek bigger bite of pet foods. *Financial Times*. Retrieved from: <https://www.ft.com/content/842190e6-fe97-11e1-8028-00144feabdc0>)

	2018 (PREDICTION)		
	Continente	Other Brands	TOTAL
Expected Total Food Raised (<i>Appendix 15</i>)	723898,2529	38100	761998
Expected Revenue for Sonae	1 283 523,18 €	67 553,85 €	1 351 077,03 €

Price (WA) Continente (<i>Appendix 11</i>)	1,77 €
Sonae's Profit Margin	6,90%
Sonae's Expected Profit from BAS*	88 563,10 €
VALUE DEVOLUTION (kg)	49 949

*Only from Sonae's own-brand sales