

Trailblazing

Scaling your impact to change industries

by Liselore Havermans, Anna Fenko, Afroditi Terzi, Ji-ye Oh & Menno van Dijk

ScaleUpNation

April 2021

Trailblazing: Scaling your impact to change industries

Even as a young scale-up, you can achieve significant change when you become a trailblazer: ambitious impact scale-up that aims to transform your industry. As a trailblazer, you create new opportunities for investors, businesses and society by envisioning a better future, raising the bar in the industry, collaborating with high leverage partners, and developing the market.

As economies emerge from the immediate crisis, many stakeholders are emphasizing the need to double down efforts to "build back better", placing environmental protection, climate change and social equity as top priorities. Impact at scale calls for systems change – changing entire industries towards new product standards, operating practices and business models. You can answer this call by becoming a trailblazer, a pioneering company that aims not only to grow your own businesses, but to change an entire industry. You are a trailblazer if your mission is to make the world a better place by providing innovative solutions to societal challenges.

At ScaleUpNation, we are committed to helping young innovative companies to scale both their business and their social impact. We have analyzed hundreds of impact scale-ups and identified four success factors that help trailblazers scale their impact to change industries. To lead industry change, trailblazers 1) envision a better future, 2) raise the bar with their offer, 3) leverage high-impact partnerships, and 4) develop the market.

Impact scale-ups

Impact scale-ups are young enterprises (between 3 and 10-years-old) that use innovation to bring societal value along with financially viable products or services. They are commercial businesses that have attractive business models, have developed beyond the start-up phase and are transforming into fully-fledged enterprises. These young, innovative organizations have major potential for positive societal impact. Scale-ups also significantly contribute to job creation by having yearly full-time employee growth rate of more than 20%.

Impact scale-ups have a lockstep business model: they grow their impact by expanding their market share. In other words, their positive societal impact is directly tied to the growth of their market. However, many impact scale-ups realize that even with a successful lockstep model their impact is not enough to create wide and lasting change in their industry. They become trailblazers: impact scale-ups that are gaining momentum to transform industries.

Trailblazers

Trailblazers are impact scale-ups that aim at changing market conditions and business ecosystems to fully adopt their innovative solution. Their ambition is to solve a societal challenge and to launch a solution that shows it can be done. For example, Patrick O. Brown, the founder of the US company Impossible Foods, started with raising awareness about animal farming being the largest environmental problem. When he realized that raising awareness alone was not enough to transform the food industry, he started the company to set a new standard for meat replacement with an innovative Impossible Burger. The company is now extremely successful, going from 150 to 15.000 stores in a few months, raising significant funding and high valuation. Although Impossible Foods was not the first to bring a meat alternative to the market, it can be seen as one of the main drivers behind the dramatic growth of the market for this type of offer.

Like any smart scale-up, trailblazers first need to establish themselves in a beachhead market. However, their intention is to conquer the main market. To do so, they need to set a new standard not only for impact, but also for the key buying factors. For Impossible Foods, the ultimate success in the mainstream market came from the fact that their Impossible Burger tastes great. Tesla has not only created an environmentally friendly car, but made electric driving cool and glamorous. Tony's Chocolonely does not only produce slave-free chocolate, but also makes chocolate fun, innovative and trendy.

Trailblazers are rare and research related to their impact and activities is emergent. Our findings indicate that only 1% to 2% of organizations in the scale-up phase enact a trailblazing strategy.

Trailblazing requires a specific set of leadership skills that are not common even among serial entrepreneurs. That is why founders and chief executive officers of trailblazing businesses have significantly more entrepreneurial and overall professional experience than those of other impact scale-ups (see Figure 1)

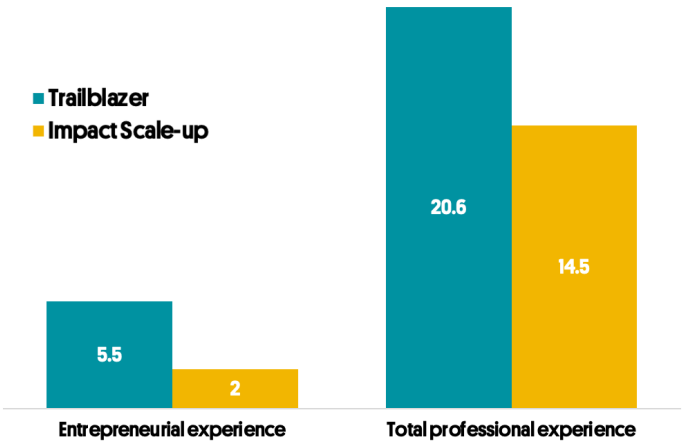


Figure 1. Professional and entrepreneurial experience of founders of trailblazers and impact scale-ups. Based on the analysis of 30 trailblazers and 30 matching impact scale-ups (with an offer that shows similarity to that of the trailblazer in terms of solution or societal problem addressed, yet without enacting a trailblazer strategy)

Despite the low odds of success, trailblazers have a potential for a huge positive impact. Start-up and scale-up valuations rely on their potential to grow, not on simple extrapolation of their current revenues or cash flows. Similarly, the value of trailblazers lies in their potential to change an entire industry, not merely in the results they have already achieved.

Trailblazing success factors

Trailblazers set out a clear strategy of achieving commercial growth and changing their industry. In addition to the twenty impact scale-up success factors (see The Art of Scaling and Scaling with Impact papers), our research identifies four trailblazing success factors that help change the industry: 1) envisioning a better

future; 2) raising the bar with their offer; 3) leveraging partnership, and 4) developing the market.

Envisioning a better future

To address a societal challenge, trailblazers need a narrative that resonates with a wide audience. They use high-leverage storytelling opportunities to attract public attention and raise awareness about an issue, including media campaigns, public speaking, and participating in events that trigger broad attention to an issue.

For instance, slave-free chocolate producer Tony's Chocolonely created a manifesto film in collaboration with a famous British actor Idris Elba to address their serious message around child labour, modern slavery and exploitation of African communities by chocolate companies in a creative way. The company also launched a petition calling for 100% responsibility of all companies in the cocoa sector for making their entire supply chains slave-free. Biotechnology company Polymateria involves general public in its #RecycleBy campaign that encourages a switch to biodegradable packaging.

Trailblazers actively seek customers that are willing to advocate for their cause and share their story. They attract customers who have the same insights, are willing to be part of their innovation journey and help them because they see the same urgency of the cause. For instance, Fairphone works with change makers, a group of bright individuals that share their vision of a fairer future and contribute to sustainable change.

The story trailblazers share has to be compelling, emotionally moving, and pointing towards a better future. It needs to resonate with multiple stakeholders, from customers to investors to policy makers. How to achieve this? The answer to this challenge is transparency. "Even when your social media presence is high and everybody is talking about you, your market share is still too small to make a significant impact required to change the industry", admits Bert van Son, the CEO of Mud Jeans: "We need to be transparent about it. We need to track and communicate the overall target and how we are making progress on this target, without claiming that we have already achieved it."

Raising the bar

With their innovative offer, trailblazers raise the bar on both impact and key buying factors. Achieving this helps them to set new standards for their product category by offering a significantly better product or even creating a new product category. They create tipping points: products that make the market take off. These products are innovative, cost competitive, provide delightful user experience and make the world a better place.

The new standard is set once customers start buying the product at volume and praise it. Incumbents initially try to protect their existing product offering, but as scale-ups continue to grow and do so at a positive product margin, other businesses follow by launching their own versions of the new standard.

For instance, Impossible Foods aimed to develop "the world's most delicious, nutritious, affordable and sustainable meat foods directly from plants". They created the innovative Impossible Burger, which sizzles, smells and cooks like beef, but uses 87% less water, 96% less land, contributes 89% less greenhouse gas emissions, and contributes 92% less freshwater pollution. Impossible Burger became available in thousands of restaurants and grocery stores in the world and received an award from the National

Restaurant Association. Their success inspired industry followership, and now the global meat substitute market size has reached $4.1 billion and is expected to double by 2026.

To keep improving their product, trailblazers invest extensive resources in understanding the real customer needs, developing the perfect product and optimizing their business model. “You need to be in the market, listening to people and reflecting on what you have heard, and conducting lots of experiments to learn what works”, explains Jurriaan Ruys, the CEO of Land Life.



High leverage partnerships

Trailblazers know they cannot achieve their ambitious aims on their own. They build partnerships with key players in the industry to leverage complementary capabilities for impact at scale. They combine resources with other scale-ups, multinationals, academia and non-profits to advance technology, develop new industry standards, change business practices and increase distribution and market access.

Trailblazers often collaborate with large corporations to scale their impact beyond their own market share. For example, Orbisk, a company that creates solutions for reducing food waste in restaurants, has developed partnership with Unilever, which helps them to create impact in the markets they would never be able to reach on their own.

Setting a higher standard might also require partnering with bigger organizations that are willing to be a part of your innovation journey and to co-develop the new offer. For instance, Fairphone has built partnerships with Philips and large car manufacturers to come up with the solution to social and ecological problems. These partnerships were successful because Fairphone understood and mitigated the risks faced by multinationals. “We create win-win situations by understanding what is important for our partners. We are providing them with something they could not do themselves”, explains Eva Gouwens, the CEO of Fairphone.

Public recognition is important for advancing legitimacy of trailblazers. Collaboration with innovation enablers (scale-up accelerators, universities, governments) can pave the way for solutions that have trailblazing potential by raising their legitimacy, advising and coaching trailblazers and facilitating business partnerships. For instance, Land Life has established a partnership with UNHCR to set up a new standard for land restoration in refugee settings.

Building multi-stakeholder coalitions is also essential for lobbying to change the legal framework or to get new industry standards adopted. You need a strong campaign to get attention to your message and acceptance of your cause. Trailblazers often develop alliances with social media influencers and advocates for a social issue they are trying to solve.

To dive deeper into scaling impact through partnerships, also read: High leverage partnering for impact.

Developing the market

To solve a major societal challenge, you need to ride a wave of interest in industry and society. You need to find a moment when the competitors are ready to follow you, regulators are ready to change legislation in your favor, and the industrial standards are ready to change. Trailblazers need a sharp eye for spotting ecosystem readiness to support wide adoption of their type of offer and selecting the most effective ways to stimulate it. They can develop the market through lobbying for preferential public policy, creating new industry standards and enabling industrial followership.

Influencing public policy. Making a new practice widely adopted in the industry often requires public policy changes, but enacting policy reform is an enormous undertaking for any organization, much less a scale-up. Trailblazers influence favorable conditions for systems change by building coalitions and advocating for policy changes, including regulation, certification, taxes, subsidies for beneficial practices, fines to restrict harmful practices or pricing of externalities (such as CO2 credits).

Already in the start-up stage, New Motion, a producer of charging solutions for electric vehicles, spent significant resources on external communication with policy makers and advocacy for sustainable transportation, supporting a public policy to subsidize electric vehicles. They recognized that this policy change would unlock huge market growth for this more sustainable alternative, not only for manufacturers of electric vehicles but for adjacent industries like theirs too. This created a win-win solution for car manufacturers, consumers, and all the producers of electric charging stations.

Similarly, Outerknown, a US-based circular clothes brand published the blue book with support from Levi Strauss & Co as a call to action to others in the industry to join it in lobbying for preferential tariffs for benefit fibers (i.e. recycled, regenerated, reused and organic fibers). Polymateria provided the benchmark for the new British standard for biodegradability. Toast Ale is now stimulating customers to write to their local MPs and ask them to include changes to the food system in environmental policy decisions. They do it to keep the pressure up and make sure they lead on climate action and ecological renewal.

Trailblazers operate in three worlds: the private sector, public sector and civil society. They can't compete with big corporations on lobbying and communication budgets, but they can leverage public awareness to influence politicians. There are opportunities for reaching out to politicians via social media, celebrities and other public figures that politicians can't ignore. "Today lobbying is no longer a prerogative of wealthy and well-connected groups. The technological developments enable us to identify like-minded people and to influence decision-makers", explains a citizen lobbying expert Alberto Alemanno. "Lobbying starts from stakeholder mapping: identify how powerful they are, whether they are your allies or enemies. Decide whether it makes sense to do your campaigning alone or make alliances with other organizations. You need to raise public awareness to prepare for the meeting with policy makers."

Developing industry standards. Trailblazers influence industry standards by creating a new benchmark for other companies. For example, the British biotechnology company Polymateria has created a new standard for biodegradable plastic that has been adopted by the British Standards Institution. The new standard specifies requirements for biodegradable plastic packaging which ensure the materials used are able to return to nature without causing any environmental issues. The standard has been developed by a group of experts sponsored by Polymateria. It was subject to a public consultation process, where other

interested parties submitted comments and reached the consensus.

In many cases, you need a special effort to create a new industry standard that is accepted by all industry partners. For example, EON, the leading Internet of Things platform in fashion retail, created the technology to trace reuse and recycling of fashion products. EON pioneered industry's CircularID™ Protocol to facilitate data-exchange across the circular economy. To be able to do that, the company brought together industry partners across the circular value chain to unlock the communication and connectivity for this network.

Enabling followership. Trailblazers understand that it is more important to increase the pie than to increase only their share of it. To enable other industry players to follow their example, they share their technological knowledge and intellectual property within the industry. From creative commons and open-source tools to commercial licensing, training and support services, trailblazers find ways to push the market with their knowledge. They do this in a way that enables others to follow them towards a higher standard without compromising their competitive position.

Some trailblazers use commercial licensing, i.e., transferring their intellectual property to another company based on contractual relationships. Licensing agreements ensure that technology owners can scale their social impact and at the same time protect their intellectual property and reputation. "A licensing contract puts some boundaries on the use of technology. It gives a company access to new markets and valuable feedback on how their technology should be adapted for this market. But it is not a free lunch for everybody", explains Johan Moyersoen, the founder of the Impact Licensing Initiative. Commercial licensing is a contractual relationship. By entering these relationships, both parties agree to certain conditions, such as quality control and training. For instance, biotechnological company Protifarm is developing a market for insect protein by licensing their technology to other companies. Both parties are interested in long-term relationships, because a company is continuously innovating its technology and can't compromise on the quality of its offer.

Many trailblazers use creative commons and open source to make their intellectual property openly accessible. This strategy makes sure that the market can grow through knowledge creation. For instance, Toast Ale, a company that is brewing ale from bread waste, shares its recipe with other entrepreneurs so that it can be locally replicated and the food system becomes more sustainable. Circular fashion company Teemill has made the circular supply chain of its brand Rapanui open access by inviting other brands to use their platform for real-time production. New Motion, a European leader in charging solutions for electric vehicles, has created an open charging protocol to increase their credibility and to scale impact beyond their own market. Tony's Chocolonely has created an open source platform that allows other chocolate producers to join the efforts in changing the industry practice. One of the biggest Dutch food retailers, Albert Hein, has joined the platform, making a big step towards the positive changes in the food supply chain standards.

Trailblazers also share knowledge through training and support to ensure more impact of their intellectual property through informed actions. For instance, agrotech company eFarmer creates video manuals to help farmers successfully apply precision farming equipment. Sustainable fashion company EcoAlf participates in conferences and forums, spreading scientific knowledge and technological innovations.

Sharing your intellectual property is often seen as compromising your competitive advantage. How can trailblazers foster followership and at the same

time keep their competitive advantage? The solution is to build a strong brand by leveraging the success of your innovative ideas. Trailblazers get others on board because they have made the commercial opportunity clear with their own success. “Owning your initial idea builds your credibility and gives you a long-lasting advantage”, explains Eva Gouwens, the CEO of Fairphone: “Those who follow can copy your idea and commercialize it, but it remains your idea. You have been making people aware of the issue and the solution, have been sharing your insights, and that legitimacy is something a new competitor does not have.”

***

How to understand that your trailblazing activities are successful, that you are getting trailblazing momentum? The ultimate outcome of trailblazing is the adoption of the new standard by the industry, including competitive followership. But this usually happens in the later stages of company development, when the company is past the scale-up phase and has developed into a large enterprise.

However, even during the scaling, there are indicators that your trailblazing activity is going the right way. These intermediate outcomes include press recognition of your offer as the new standard; winning serious professional awards not only for your impact, but also for your product quality; growing demand for your type of offer; government subsidies for your type of offer (e.g. electric cars), and the responses from incumbents who start studying and copying your offer. Read more about trailblazing outcomes in our next paper.

.

How we did our research

The research into scale-ups and trailblazers was supported by Goldschmeding Foundation and included a review of the academic and practitioner literature, 45 interviews with impact scale-up chief executive officers and experts, four reflexive dialogues with chief executive officers of trailblazers and impact scale-ups and database reviews of more than 3,500 organizations in the scale-up phase (including – partly overlapping – databases of 3,585 EU-based deep technology companies in the scale-up phase, 1,711 Dutch companies in the scale-up phase, 521 Dutch venture-backed companies, and 30 trailblazers from throughout the world and their matched pairs of impact scale-ups with similar offers). Next to being used as the basis of the current white paper, the findings of this research are translated into papers, training programs and due diligence tools.

This paper is written by Liselore Havermans, Anna Fenko, Afroditi Terzi, Ji-ye Oh and Menno van Dijk.






SUPPORTED BY GOLDSCHMEDING FOUNDATION MENS • WERK • ECONOMIE

G4P4 Kansen voor West II

Europese Unie
Europees Fonds voor Regionale Ontwikkeling

THNK, McKinsey, New Venture, Eneco, Provincie Noord-Holland, Erasmus Centre, Startup Amsterdam, Ministry of Economics, Gemeente Amsterdam, Chrysalix, NL Groeit