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Critical Perspectives on Social Innovation 2025:2

SOCIAL EXITS

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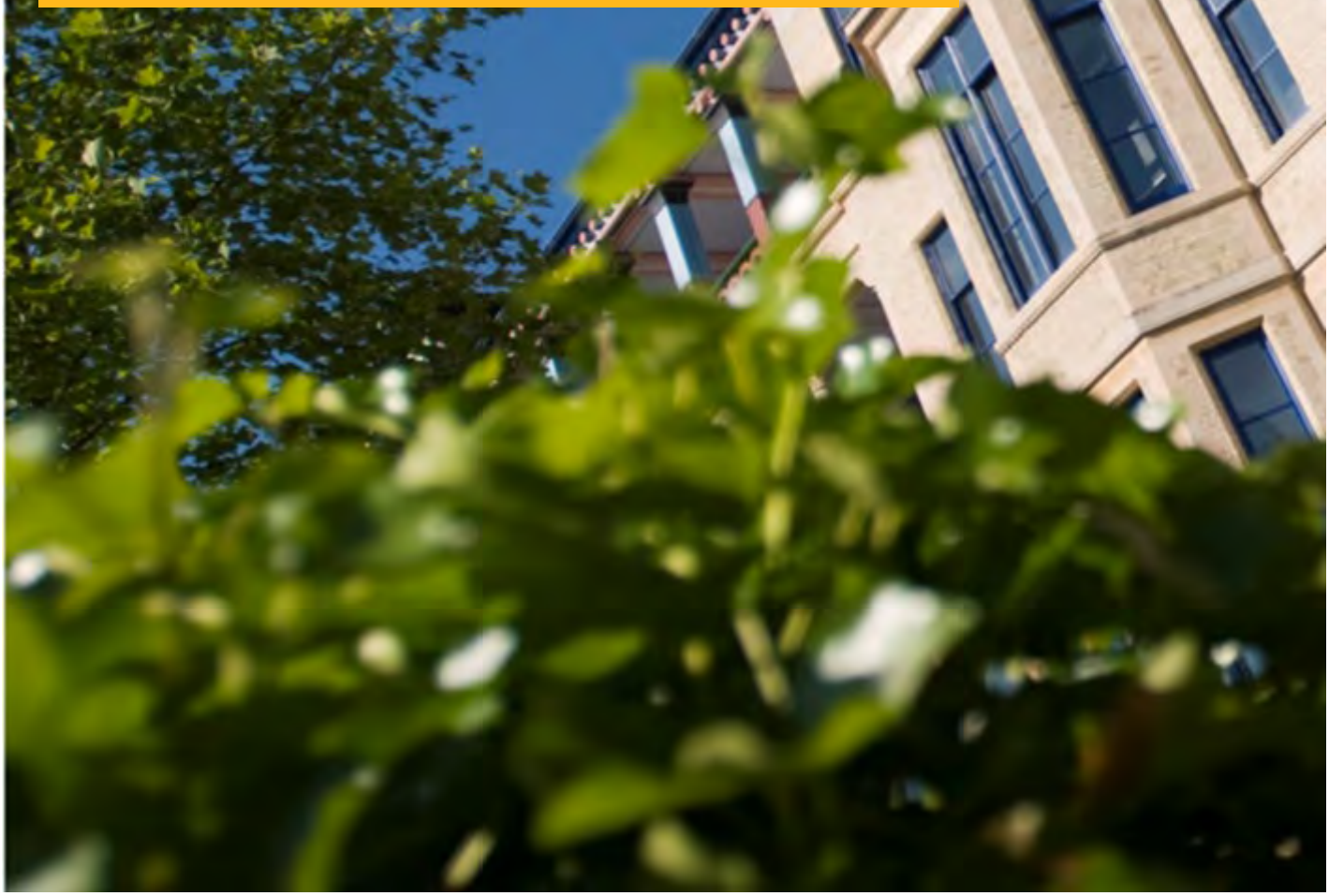

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Introduction

In this essay Neil, Paul and Simon reflect on the idea of 'social exits'- how to leave a social venture, project or partnership - a crucial topic which social innovators have neglected to date.

Social exits and social innovation[1]

Social innovators rarely think about social exits - how to leave a venture, project or partnership which primarily exists to tackle social problems. Exits are the last thing on a social innovator's mind in the hurly burly of framing and delivering social impact. When an exit does arise, it is often an emotionally wracking experience which raises the spectres of failure, the abandonment of those we serve, loss of legitimacy and identity.

Social innovators work in many contexts across the globe as social entrepreneurs (creating ventures), social intrapreneurs (within organizations), and social extrapreneurs (between organizations)[2]. All are caught up in the urgent need to address a social problem which motivates them. And, being honest about our experience as social innovators and scholars, the thrill of creating (or teaching) solutions and the emotional highs of 'doing good'.

However, it is striking to us that, with the exception of social entrepreneurs who set out with the intention to take equity or sell their social venture, social exits are rarely considered. We suspect that talking out loud about social exits is akin to proposing a prenuptial agreement before marriage. It smacks of lack of faith in the idea and the venture, project, or partnership on which that idea is based.

To our knowledge, social innovation education and scholarship offers little in the way of guardrails (or solace) to social innovators confronted with the dilemmas of social exit. Nor do they provide positive ways to construct social exits. It is a topic rarely discussed in our work within Cambridge Social Ventures[3] or with our masters students. We believe this is a glaring oversight. Not least because Neil has managed numerous social exits (with varying degrees of success), Paul studied a very messy social exit[4], and Simon experienced one.

In this essay we posit that social innovators owe it to beneficiaries, stakeholders, and themselves to prepare social exit plans to maintain the mission and minimise harms. We advocate for the creation of social exit plans at the individual (founders and key staff), organizational (venture, project or partnership) and stakeholder (partners and funders) levels.

Why plan for social exits?

We argue that there are several key reasons to plan for social exits that need to be addressed in a timely fashion.

Social innovation is emotional work

Social innovation is an inherently emotional activity. Social innovators often engage with people and places which experience intense harms. Becoming a social innovator is often a visceral reaction to witnessing such harms. In other words, harm motivates action.

Doing social innovation is a form of emotional work. Charlene Zietsma and Madeline Toubiana describe emotions as the 'glue, fuel and rust' of social innovation. The 'glue' is the emotional bonds to social

[1] Special thanks to Cohort 8 of the Masters in Social Innovation - the term 'social exits' emerged during class discussions. https://www.jbs.cam.ac.uk/masters-degrees/mst-social-innovation/

[2] Tracey, P. and Stott, N. (2017) Social innovation: a window on alternative ways of organizing and innovating. *Innovation: Organization and Management*, 19(1): 51-60

[3]https://www.jbs.cam.ac.uk/faculty-research/centres/social-innovation/cambridge-social-ventures/

[4] Tracey, P., Phillips, N. and Jarvis, O. (2011) "Bridging institutional entrepreneurship and the creation of new organizational forms: a multilevel model." *Organization Science*, 22(1): 60-80

groups (such as beneficiaries) and the venture, project or partnership. The emotional 'fuel'-such as compassion or anger - provides the 'impetus and sustenance' to keep going [5]. Christina Wicker and Per Davidson[6] apply Robert Sternberg's 'triangular theory of love'[7] to entrepreneurship and stress the central role of intimacy, passion and commitment - born out in our own work on the longevity of place based community enterprises[8].

But emotional work is hard to sustain. It can also be unhealthy. When a social mission becomes all-consuming and everything in your life is connected to the mission, an exit may be advisable. Unfortunately, the prospect of leaving feels like losing a family, or you may be the last person to be aware of the self-inflicted emotional drain.

Emotions can also 'rust' social innovation practice through 'virulent and even violent responses' driven by the fear or envy of detractors [9]. It is not a surprise that individuals burn out, nor that pressures build up within or between organizations. It is at such times that unexpected social exits occur.

Surprise

Social exits are often driven by surprises such as the loss of key people or contracts, a shift in the funder's priorities and cash flow calamities. The timing may be a surprise, but that such events occur should not be. Hence the need to plan for social exits early in the life of venture, project or partnership.

Occasionally, there are existential surprises such as the loss of legitimacy with key stakeholders. For example, in providing services for migrant workers, Neil's previous organisation, Keystone Development Trust (KDT), alienated core beneficiaries. In doing so, it gave emotional fuel to local institutional detractors. Thankfully, as Paul discovered in his research on this stigmatising event, more powerful external stakeholders lauded KDT's work with migrants. This facilitated new sources of legitimacy (and income) which provided the space needed to repair local legitimacy without a social exit from work with migrants - or worse [10]. An existential surprise is challenging to plan for but survivable.

Abandonment

Abandoning those who a venture, project or partnership serves due to an unexpected social exit is the stuff of social innovator's nightmares. When a social exit is planned there is still the risk that the needs of the beneficiaries may be compromised.

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[5] Zietsma, C., & Toubiana, M. (2019). Emotions as the glue, the fuel and the rust of social innovation.In: George, G., Baker, T., Tracey, P. and Joshi, H. (eds.) *Handbook of inclusive innovation: the role of organizations, markets and communities in social innovation*. Cheltenham: Edward Elgar, pp. (pp. 322-341).

[6] Wicker, C., & Davidsson, P. (2015). The entrepreneurial break-up: Disengaging from the start-up phase. In: DeTienne, D. R & Wennberg, K (eds) *Research handbook of entrepreneurial exit* (pp. 197-213). Edward Elgar

[7] Sternberg, R. J. (1986). A triangular theory of love. *Psychological review*, 93(2), 119.

[8] Stott, N., Darlington, M., Brenton, J. and Slawinski, N. (2022) "Partnerships and place: the role of community enterprise in cross-sector work for sustainability." In: George, G., Haas, M.R., Joshi, H., McGahan, A.M. and Tracey, P. (eds.) *Handbook on the business of sustainability: the organization, implementation, and practice of sustainable growth*. Cheltenham: Edward Elgar, pp.118-136

[9]Zietsma, C., & Toubiana, M. (2019)

[10] Tracey, P. and Phillips, N. (2016) "Managing the consequences of organizational stigmatization: identity work in a social enterprise." *Academy of Management Journal*,59(3), 740-765

Abandonment is an emotive term. But, more often than not, social mission involves delivering services or products to those most in need or disenfranchised from social, economic and political life. Therefore, there is a duty of care and a duty to do no harm that social innovators should heed.

Today's social innovators can learn from organizations like Development Trusts that have achieved longevity. Given their passion for achieving sustainable change in some of the UK's most challenging places, the trusts we studied were acutely aware of the implications of an unplanned social exit on their communities. Despite the entrenched social needs they faced everyday, the trusts practised caution in asset management and 'restrained assertiveness' in their relations with external stakeholders [11]. Their priority was not to let people down.

My work is done

There is a big difference between letting down and letting go. Letting go as an individual - particularly social founders - is hard to do given the emotional investment involved. As a social innovator one's identity, sense of purpose and responsibility are often tangled up with the venture, project or partnership. Of course, as we highlight above, emotional investment is the glue which motivates and sustains social innovation. We suspect that it is also *expected*. Social innovators hold themselves and others to a very high bar of emotional commitment. But it is a finite commodity. One has to let go at some point. Preferably on the up swing rather than when crisis looms.

Founders find it particularly challenging to leave at the right time. They embody the vision, time and emotional investment required to launch a social innovation venture, project or partnership. Their sense of ownership and responsibility is acute. However, founders can confuse the mission with their own emotional embodiment of the mission. Many of us have described a social innovation as 'my baby'. We can easily fall into the trap of believing no one is more committed or could do what we do. We also feed off the emotional charge of doing good. It is like a drug. When a social innovation becomes more about the innovator than the mission, it is time for a social exit.

Our work is done

When facing social problems it is hard to imagine that they can actually be resolved and there is no further work to be done. Social problems such as homelessness are notoriously intractable. Yet there are times when a social innovator's venture, project or partnership work is done and it is time to move on. For instance, there may be circumstances where the mission can be achieved more effectively by passing the work on to a better-resourced entity or to the target group. If the social innovator's intervention is making very little difference in relation to the time and effort put in, or has become a poor fit for the problem being addressed, it is time to consider moving on.

Many social innovation projects and partnerships are often a form of temporary organising. They exist to fulfil particular tasks - more often than not to break an organisational log jam, create an alliance of the willing or a means to secure funds from the public sector or foundations. The temptation to be avoided is to prolong a temporary organization past its productive life.

Your work is done

Social exits are often at the behest of others. For instance, a product or service may not achieve sufficient customers. Funders and political regimes prioritize change. Stakeholders go cold. Or, for social intrapreneurs, organizational mission or management priorities shift. For instance, with vision misalignment - when managers or stakeholders see a different future - or values disagreements - where

[11] Stott, N., Darlington, M., Brenton, J. and Slawinski, N. (2022)

all agree on everything except who is going to be on the journey. For Simon, it began with a disagreement with the church leaders of the charity he worked for when he refused to fire someone for being gay. From that moment, key stakeholders began to distance and destabilise him. Simon was not invited to key meetings and was denied access to decision-makers. The church did not fire him, but they made it very hard to stay[12].

There are many contexts where social innovators' legitimacy is at best conditional and at worst tenuous. The more contentious the social innovation is - within any context - the more delegitimation and social exit become high risk. The risk may be especially significant in authoritarian regimes where social innovators may be perceived as a threat and have to walk a tightrope to avoid political aggression[13]. In Vietnam, certain types of social innovation activity have the state's blessing, such as in the education, social care and hospitality sectors, but social innovators nonetheless have to play the local political game to avoid conflict[14].

Social exit 'lock-in'

We posit that social exits are 'locked-in' to how the public sector, philanthropists and impact investors operationalise their missions. What is supported is determined by political, funder or investor priorities. How, and for how long, support lasts is governed by criteria for *their* social exit.

The timeline for public or philanthropic social exits has shrunk. It is rare to find a funder who provides long-term support. Most expect the social innovation they fund to become sustainable within their timescale or to be a short-term project. However, many social ventures, projects, and partnerships struggle to achieve sustainability within short timescales. Numerous social exits occur when their funding stops. Leaving aside that most social problems are not solved by a 'quick fix', social innovators are therefore forced into a game of 'revolving social exits'. At best they reconfigure their activities to meet the criteria of the next funding opportunity. At worst, they cease activity until new funds can be obtained. In doing so, social innovators become ever more shaped by others' money rather than their own mission.

Social exit strategies

The creation of social exit plans at the individual (founders and leaders) and organizational (venture, project or partnership) levels should be integral to the planning of any social innovation and frequently reviewed. A successful social exit requires communication, awareness of circumstances, identifying successors, and celebrating individual and collective successes. To accept that social exits will happen is the first step. To put aside feelings that a social exit is an individual or collective failure is the second. In this section we highlight a range of strategies for social innovators to consider.

[12] Dwight, S (2023). *The Transformation*, *Expansion and Success of a Homelessness Charity* DProf by Public Works. Middlesex University

[13] Neuberger, I., Kroezen J. and Tracey, P. (2023) "Balancing 'protective disguise' with 'harmonious advocacy': social venture legitimation in authoritarian contexts." Academy of Management Journal, 66(1): 67-101

[14] Umfreville, P., & Bonnin, C. (2021, May). Mind the gap: exploring the challenges and opportunities for social enterprise in Vietnam. In *Forum for Development Studies* (Vol. 48, No. 2, pp. 331-355). Routledge.

Individual

The slow goodbye

Individual exits are to be expected and can be planned for. If plans are not in place, individual exits are usually premeditated and, as long as intentions are shared, leadership departures can be smooth. For people in critical positions it is useful - resources permitting - to have the incomer share responsibility with the outgoer, allowing for a phased slow goodbye with the outgoer dropping down days over time. A slow goodbye can prevent disruption, allow trust to be transferred, and ease the emotional challenges of departures.

Leave (with dignity)

It can sometimes be better for a social innovator to leave rather than stay, particularly when hanging on - or hanging around - would be detrimental to the mission or the target of the social innovation intervention. For instance, when social innovators do not have the motivation or skill set for the next stage of organizational development, or when an intervention is clearly not working or unstainable. Do less harm, leave.

Pivot

When an intervention is not working, unwelcomed by stakeholders, or an externally imposed social exit looms, an option is to pivot - to radically transform a core element of the organization's strategy, identity, and/or goals[15]. The decision to pivot is typically driven by a combination of strategic and resource considerations, and often happens in response to changing social or economic conditions. Perhaps better 'solutions' are offered by other social innovators, or perhaps funders have shifted their attention to other issues. In these circumstances, pivoting allows social innovators to realign their model so that it is a better fit with their stakeholders and funders, or to build relationships with new stakeholders.

For example, when the contract to run a high-support homelessness hostel finished, Simon's charity pivoted from being a homeless to a homeless and refugee organisation. The charity responded to the need to resettle Syrian refugees. In doing so, it augmented its reputation and continued to generate funding from working with asylum seekers.

Don't do it!

If a social innovation intervention entails direct work with vulnerable people and has little prospect of sustaining itself, consider *not* doing it. Raised expectations, failure to deliver, and premature social exits are all too common in interventions designed to support people and places facing complex challenges. Social innovators may wish to consider alternative ways of achieving their goals - such as by working with existing organisations that support the same groups.

Organizational

Mergers & Acquisitions

Merger and Acquisitions (M&A) are common in the private sector as a means to increase shareholder value. A merger is when two companies combine to form a new one. An acquisition is when a company is bought outright by another by choice or not (hostile takeover). Given the legal status of most social

[15] Hampel, C. E., Tracey, P., & Weber, K. (2020). The art of the pivot: How new ventures manage identification relationships with stakeholders as they change direction. *Academy of Management Journal*, *63*(2), 440-471.

innovation organisations M&As - in the traditional sense - are rare. However, social mergers are not uncommon. For instance, in 2023 there were 48 reported UK charity mergers with £32 million transferred[16].

The drivers for mergers include service efficiency, economies of scale, expanding the mission, and a looming leadership or financial crisis. But social mergers are challenging to pull off, even when missions align. The emotional bonds of stakeholders to mission and brand are often key strengths of social innovation organisations. Letting go, even in the face of a financial crisis, is hard to do. A social exit plan should consider mergers and identify potential partners long before a crisis[17].

Pass on

If a social innovation organisation's work is not done as a social exit looms and a merger is not feasible, there is the option to pass on the ideas and assets. Intellectual Property (IP) can be passed on through open sourcing or gift to a like-minded organisation. IP and other assets (money, property and equipment) can also be gifted, depending on the legal form of the organisation.

Descaling

Scaling down to a lean and affordable core of essential people and activities while awaiting new opportunities is a well-established strategy in traditional social organizations, such as charities and development trusts. Some are designed as seasonal or 'dormant organisations' and triggered as needs arise, such as 'warm spaces' or 'cooling centres'.

To descale may appear frustrating or like a defeat, especially given the strong emphasis on scaling up in social innovation training and literature. But to keep a viable core and be seen to deliver a mission may be in key stakeholders' best interests.

Neil had to descale KDT twice. The first occasion was carefully planned from organisational inception. The task was to shift to a sustainable core following three years of public funding. One year after achieving this, the 2008 financial crash created a perfect storm. What Neil had imagined as a sustainable core rapidly became unsustainable. Public and philanthropic money dried up. Sales - rent, services and products - plummeted.

Although the process of a second descaling was extremely difficult, it forced KDT to decide what should be prioritised within its available means. Once stabilised, KDT's growth focused on *temporary scaling* and *sustainable scaling* - the key criteria being that any growth did not jeopardise the sustainable core of the organisation. Temporary scaling occurred through time-limited externally funded projects. Sustainable scaling was through projects that came with some form of ring-fenced endowment, such as constructing a new community centre with land to build houses for rent.

Close down

Closing a beloved venture, project or partnership is often perceived as a tragedy or failure. There are numerous reasons for closure, such as loss of legitimacy, leadership or income. Most are unplanned. However, the writing may have been on the wall for some time. Often social innovators struggle on with

[16] This figure was a low compared to the ten year average of £146 million in transfers

https://eastsidepeople.org/resource/charity-good-merger-index-22-23-report/

[17] Milway, K. S., Orozco, M., & Botero, C. (2014). Why nonprofit mergers continue to lag. *Stanford Social Innovation Review*, 12(2), 48-54.

increasing desperation in the face of the inevitable. Knowing when to draw the line is crucial for stakeholders' emotional health.

To understand what the end goal is and when to perform a social exit whilst planning an initiative may be considered an odd recommendation. However, clarity on end goals can provide a route map for stakeholders. It also can prevent organisational tails wagging the dog, for instance when the staff's longevity becomes more important than the mission.

To cite this essay, please use the following:

Stott, N. , Tracey, P & Dwight, S. (2025) Social exits and social innovation. *Critical Perspectives on Social Innovation.* No 2 2025. Cambridge Centre for Social Innovation.

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