

The story of Tony's Chocolonely

Amsterdam entrepreneurship cases

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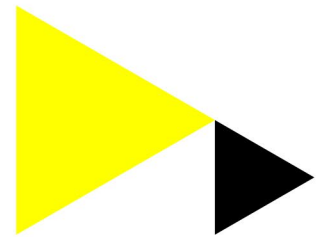
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AMSTERDAM ENTREPRENEURSHIP CASES:

The Story of Tony's Chocolonely



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Summary: *This teaching case explains the story of social enterprise Tony's Chokolonely. Tony's is a mission driven company that sells chocolate with the aim to ban slavery in the cacao industry. Currently, they are market leader in the Netherlands and have also entered the market in several European countries and the United States. In this teaching case their journey is discussed and three specific topics are highlighted: 1. transparency in the value chain 2. Tony's organizational culture and 3. telling and selling Tony's story.*

Topics: *[social entrepreneurship, social impact, transparency in value chains, organizational behavior, HRM]*

The story of Tony's Chocolonely¹

'My name is Kam Sami Felix. I am 16 years old. I worked on a cocoa plantation from 1999 until 2003. We were with 500 people on the plantation. I did not get paid and I was forced to work. I was not allowed to leave the plantation'(Coronel & Forrer, 2016).

The stories of children working as slaves on cocoa plantations in West Africa form the basis of the existence of Amsterdam-based chocolate company Tony's Chocolonely. In 2003, a group of Dutch investigative journalists discovered that this type of slavery existed. Flabbergasted, they tried everything they could think of to tell the world about this problem and the need to fix it. After lots of disappointments, they decided to set an example, by trying to produce a 'slave free' chocolate bar themselves. Almost fifteen years later, this journalism project has evolved into the leading chocolate producer in the Netherlands: Tony's Chocolonely (or Tony's for short).

In this academic teaching case, we analyse Tony's as a social enterprise, which means that keeping the balance between being mission-driven and running a successful company is a constant focal point (more on social entrepreneurship in appendix 1). We first trace the history of Tony's and analyse its development in four phases. The following phases can be seen:

1. Journalism project (2003-2006/7)
2. Start-up company (2006/7-2011)
3. Professionalization and national expansion (2011-2017)
4. Local market leadership and internationalization (2017-)

Then we zoom in on three perspectives in particular:

- Transparency in the value chain
- Tony's organizational culture
- Telling and selling Tony's story

¹ This case was prepared in the first half of 2018 and contains information up to July 2018. A statement on the sources that were used to compile this case can be found in appendix 2.

Tony's story in four phases

1. Journalism project (2003-2006/7)

Tony's Chocolonely emerges from a project by a group of investigative journalists connected to the television show 'Keuringsdienst van Waarde' (Consumer Intelligence Agency). In this programme, journalists try to trace the origins of consumer goods, most often food, by asking seemingly simple questions.

In 2003, they start an inquiry into how chocolate is produced. The main journalists involved are Teun van de Keuken and Maurice Dekkers. While Van de Keuken does most of the calls to companies and subsequent interviews, Dekkers plays a major role behind the scenes, also as producer of the TV show.

Teun, Maurice and their colleagues are triggered by a short note in a report by German journalists about the use of child slave labour on cocoa plantations, but it takes a lot of time to get into the case, as traditional chocolate companies are not very willing to talk. The journalists find out that major cocoa-producing companies had committed themselves to an 'honest' value chain by signing the 2001 Harkin-Engel protocol². Despite this official commitment, nothing much had happened. The journalists have a breakthrough when they record a telephone conversation with a spokesperson from market leading company Nestlé, who admits that child slavery in the cocoa industry exists.

The journalists subsequently try a lot of different things to get to the bottom of the matter and to create publicity for the subject. In 2005, they make a bold move. Teun van de Keuken turns himself in to the Dutch police, saying he is a 'chocolate criminal', as he is eating chocolate while being aware that this is produced by slave labour. The lawsuit attracts a lot of attention. The journalists travel to West Africa³ to get deeper into the subject and find victims of the child slave labour practices. The journalists manage to record some statements and even bring some former child slaves to the Netherlands to testify. However, in 2007 the lawsuit is finally rejected by the court on mostly technical reasons: the direct link

² The Harkin- Engel protocol aims to eliminate the worst forms of child labour in the chocolate industry. For more information, see https://cocoainitiative.org/wp-content/uploads/2016/10/Harkin_Engel_Protocol.pdf.

³ About 60% of all cocoa beans are produced in the West African countries of Ghana and Ivory Coast.

between the child slave labour and the actual bars of chocolate Teun van de Keuken had been eating could not be proved.

2. Start-up company (2006/7-2011)⁴

With the lawsuit dragging on, and the main players in the chocolate industry not moving into action on the issue, the team starts a different approach. They decide to try to set an example, by making their own 'slave free' chocolate bar. They team up with Max Havelaar, an independent non-profit organization that licenses use of the Fairtrade Certification Mark on products in the Netherlands in accordance with internationally agreed Fairtrade standards (<http://maxhavelaar.nl/english>). They claim that they can get cocoa beans from a farmer's cooperative in Ghana that are guaranteed to be produced without child slave labour. The journalists strike a deal with Belgian independent chocolate producer Alain de Laet to get 5,000 bars of 200g milk chocolate produced. The cost is 15,000 euros, which is covered by Maurice Dekkers from his personal savings. They have to come up with a name and a wrapper and decide to call the bar Tony's Chocolonely, with Tony referring to Teun van de Keuken and 'lonely' referring to the lonely battle they are experiencing.

Once they start selling the bars, it is an immediate success. However, things then start to get difficult. First, it turns out that Max Havelaar cannot guarantee that the actual beans used were produced fairly. They cannot be traced from the supplier to the chocolate producing company. In addition, Max Havelaar pays a premium to its partner cooperatives, but it is unclear whether this actually reaches the individual farmer (more in the 'transparency in the value chain' section below).

As these problems become clear in 2006, the wording on the bar is changed from '100% slave-free chocolate' to 'on the road towards 100% slave-free chocolate'. Maurice, Teun and the other journalists also decide they need both money and help. Maurice has some capital and invests €60,000, and borrows an additional €100,000 from a bank. Maurice starts the company Tony's Factory BV and hires Eveline Raymans as 'chocolate director'. Teun decides to focus on his work as a journalist and is not involved in the day-to-day running of the

⁴ More information about the company's development in this phase and the early stage of the next phase can be found in the earlier teaching case that was published in 2013.

company. The company, which is first run from the TV production office in Amsterdam, then moves into other offices in Amsterdam.

Maurice and Eveline are up to their ears in the work. With very little experience in running a business, they run into a lot of problems. Then, in 2007, they are approached by Henk Jan Beltman, an experienced marketer who shows willingness to invest in the company. He is invited for coffee, but no deal is made. Maurice does not believe that Henk Jan is fully committed to Tony's principles. However, Beltman does not give up. He approaches the founders several times in the following years. By late 2010, Maurice and Eveline really need an investor and someone to take charge of the company. New talks start with Beltman.

3. Professionalization and national expansion (2011-2017)

In 2011, a deal is made. Beltman invests money in the company, becoming the majority shareholder. Looking back on this moment, Beltman thinks there are two reasons that he was finally accepted as an investor. First, it took him time to convince the founders that his interest was genuine and he was not solely motivated by commercial success, but also by the company's principles. Second, the company was moving in a different phase with different financial needs. Beltman: *'When the company didn't deliver the financial results that they were aiming for, they needed some help on the commercial side. So then they started talking to me again in 2010 and we really teamed up pretty quickly.'*

The company's ownership structure is now as follows:

- Henk Jan Beltman 51%
- Maurice Dekkers 34%
- Eveline Raymans 15%

(At the time of writing, this is still the division of voting rights in the company).

While Beltman has been interested in Tony's for years, he does not have in-depth information about the cocoa value chain. He decides to immerse himself and travels to West Africa. *'The moment I saw what was going on there, the company really got under my skin'*, Beltman says. He decides on a strategy focused on making impact by having commercial success. His experience as a marketer certainly helps. For example, when the company experiences cashflow problems, Beltman comes up with a combination of moves. He

combines the introduction of the new unequal division of the bar, which strengthens the company's story, with reducing the weight of the bar from 200 to 180 grams, thus saving 10% on resources.

Beltman and his team embark on a strategy of rapid expansion. On a practical level, they secure deals with major supermarket chains. They introduce new products, such as 'mini bars', chocolate milk, and seasonal products like Easter eggs. They further challenge the traditional chocolate industry by introducing lots of innovative flavours in what Tony's calls 'special editions'. One of these new flavours turns out to be the company's bestseller. The milk caramel sea-salt flavoured bar now accounts for around 40% of their total revenue.

A lot of work is also done on the company's mission, which is reformulated and clarified as: 'crazy about chocolate, serious about people'. *'For us, making money is a means to an end, not a goal in itself'*, Henk Jan adds. He sees Tony's as a social enterprise, even though - in his vision - social entrepreneurship is a label that will hopefully be no longer necessary in the near future. *'If you say "we're a company to make profit" you mix up your goal and your means. That is not a company that I want to put my effort in.'* Social entrepreneurship implies by definition that you balance striving for *social* goals with *entrepreneurship* (see appendix 1). Mission always comes first. Tony's aim is to create the conditions for the eradication of child (slave) labour, ultimately aiming to positively influence the practices of the big chocolate companies in the world. Tony's thus states that 'together, we want to make chocolate 100% slave-free'. This mission is operationalized in three pillars:

1. Tony's creates awareness
2. Tony's leads by example
3. Tony's inspires to act

The first two pillars are linked to non-financial Key Performance Indicators (KPIs), such as the 'percentage of Tony's buyers who buy our chocolate to support the mission' (linked to pillar 1) and the 'number of farmers supplying to Tony's' (linked to pillar 2). Tony's is also audited on these non-financial KPIs.

As said, social entrepreneurship implies striving for social goals with commercial entrepreneurship. For the commercial side of the business, Beltman sets three main goals.

Each year, he wants Tony's to achieve at least:

- 50% increase in net revenue
- 40% gross margin
- 4% net profit

Looking at table 1, Tony's is either close to or reaching these goals from 2012 on.

Table 1. Tony's main financial indicators, 2009-2017

Fiscal year*	Net revenue (m€)	% growth	Gross margin (m€)	% of revenue	Net profit (m€)	% of revenue
2009	0.95	-	0.29	30.5%	-0.03	-3.2%
2010	1.62	71.3%	0.47	28.8%	0.06	3.7%
2011	2.45	50.6%	0.82	33.7%	-0.10	-4.1%
2012	4.53	85.3%	1.91	42.2%	0.10	2.2%
2013	7.38	62.9%	3.1	42.2%	0.08	1.1%
2013/2014	9.65	-*	3.63	37.6%	0.22	2.3%
2014/2015	17.6	82.6%	6.59	37.4%	0.73	4.1%
2015/2016	29.3	66.3%	11.6	39.5%	1.4	4.9%
2016/2017	44.9	53.3%	18.2	40.5%	2.7	6.0%

*Note. From 2013, Tony's fiscal year runs from 1 October to 30 September.

(Tony's Chocolonely, 2014, pp. 52-53; Tony's Chocolonely, 2014, p. 66; Tony's Chocolonely, 2015, p. 92; Tony's Chocolonely, 2017, p. 84)

Internally, the company also expands rapidly. 'Team Tony's', as the company's employees are referred to, grows from 20 in 2013 to 40 in 2016, and to approximately 75 in 2018.

In this process of expansion, there is a strong focus on building and retaining a positive company culture, keeping the company attractive to work for (see section on Tony's organizational culture below).

In 2016, a system is introduced in which all of Tony's employees who are on a permanent contract and whose year-end performance rating is positive can also become a shareholder in the company.

The employees can choose to buy

'Golden Wrappers', depositary receipts for shares with no voting rights attached. By 2016-17, Team Tony's holds over 23% of the shares (Tony's Chocolonely, 2017, p. 80).

4. Local market leadership and internationalization (2017 -)

By December 2017, Tony's reaches a milestone. The company is now the largest chocolate brand in the Netherlands, in terms of value market share⁵. The market share is 16.7% at the end of the fiscal year 2016-2017 and expected to grow to around 20% in the coming year. Having attained leadership in its home market, Tony's increasingly starts looking beyond the Netherlands' borders. While the first steps to other countries already started in 2015, the focus on the international markets intensifies from 2017. The company's international strategy is based on a division of the world into three kinds of markets:

- Gold markets: the USA and the United Kingdom, as they are the home territories of the big players in the chocolate industry. In the USA, an office is opened in Portland, Oregon. By June 2018, it has grown to seven employees. An office in the UK has been opened and the first bars are scheduled to be on the shelves in early 2019.
- Silver markets: here, focus is on generating volume. This includes Scandinavia, Germany, Belgium and France.
- Bronze markets: markets far away, where Tony's does not have direct connections, but might see opportunities. Examples are Austria and the United Arab Emirates.

Beltman's focus on the gold markets is inspired by Tony's mission. *'If we can prove as a foreigner that we can get some market share in the home markets of the big guys, we will open their eyes.'* Tony's international markets generate about 7% of its turnover in 2016-17. This is scheduled to grow rapidly, to 18% of turnover in the next financial year.

The company also gets a new organizational structure, with three 'Choco chiefs' and a number of 'Heads' (see section on organizational culture). We will now zoom in on the production process of the chocolate, focusing on transparency in the value chain.

⁵ According to Nielsen, in segment 'chocolate bars and tablets'. Nielsen is a leading market research company. Statistics are not freely available, but were supplied to the authors by Tony's.

Transparency in the value chain

In its process of moving from a journalism project to a start-up company, Tony's first trusted the Dutch label Max Havelaar, who guaranteed that the chocolate Tony's was producing was slave-free. However, it soon turned out that the principle of 'mass balance' is applied, meaning that a certain mass of certified beans is brought to the market to be sold here, but these are not traded in separated streams. This means that by using 'mass balance' trading principles, the beans cannot be traced from the supplier to the chocolate-producing company. This realisation made Tony's decide to start the Bean-to-Bar project. Arjen Boekhold - an expert on sustainable cocoa - starts the project in 2012 with a thorough research project in Ghana and Ivory Coast. To get a better understanding of the root causes of slavery in the cocoa industry, Boekhold researches two things: why do farmers engage in slavery practices; and how does the value chain of chocolate work exactly?

Arjen's research shows three key reasons for cocoa farmers to engage in slavery practices:

- The wage of cocoa farmers is below the poverty line of €2,1 a day due to low productivity and low prices
- Due to a lack of local infrastructure it is difficult for farmers to break out of the low-income cycle
- There is little awareness about slavery, and as a consequence farmers allow and accept it

During the process Arjen also identifies the following steps in the value chain of a chocolate bar (Tony's Chocolonely 2017, p. 54):

1. Cocoa farmers - harvesting, fermenting and drying cocoa beans
2. Local traders - bulk packaging beans from the farmers and transporting them to processors
3. Processors - roasting, grinding and pressing dried beans into cocoa butter and cocoa powder
4. Manufacturing - combining cocoa with other ingredients to make a final product
5. Packaging - packaging (and marketing) final good into end consumer good (for retailers)

6. Retailers - selling product to end consumer

With this information, Tony's decides to develop its own way of doing business and making an impact. Tony's only works with farmers' cooperatives, so not individual farmers. In pursuing their mission of slave-free chocolate, Tony's uses five sourcing principles, designed to ensure good relationships with everyone in the value chain.

Sourcing Principles

1. Traceable cocoa beans

Today, most chocolate brands do not know how, where and by whom their cocoa beans are produced. They buy their beans on a bulk market, where beans cannot be traced back to an individual farmer or cooperative. This means that if slavery is found in a certain area, it cannot be linked to a particular chocolate producer. Tony's wants to take responsibility for its whole value chain and therefore makes its chocolate 100 % traceable.

2. Provide a sustainable living income for farmers

The price farmers receive for their cocoa beans is mostly too low to provide farmers with a 'living income', an income level with which they can meet their basic needs. The farmers receive a 'farm-gate price' for each kilo, which is a minimum price set at a national level by the governments of Ghana and Ivory Coast. The farm-gate price is tied to the market price. This price dropped in 2016 and 2017, due to a good harvest of cocoa beans and therefore an oversupply on the market. In 2017, the farm-gate price in Ivory Coast was USD 1,270 per ton. To ensure a living income, Tony's pays two additional premiums: a Fairtrade premium and the Tony's premium. The Fairtrade premium is set at USD 200 per ton and is paid out to the local trader by Tony's export partner CocoaSource. The amount of the additional Tony's premium, which is paid out since 2013, is determined on a seasonal basis, by looking into new insights about living incomes and up-to-date farm-gate prices. At the time of writing, the farm-gate price is at an all-time low. Therefore, Tony's premium is USD 400 per ton. This premium is paid out to the farmers' cooperatives. The overall amount paid by Tony's for a ton of cocoa beans in the above example thus amounts to USD 1270 + USD 200 + USD 400 = USD 1870.

Financially, Tony’s regards the premiums as ‘impact costs’. These costs have increased significantly over the past three years (see table 2).

Table 2: Cost of premium paid (in thousands of euros)

	2014/2015	2015/2016	2016/2017
Fairtrade premium	302	403	578
Tony’s additional premium	110	185	548
<i>Total premium</i>	<i>412</i>	<i>588</i>	<i>1126</i>

(Tony’s Chocolonely, 2015, p. 94; Tony’s Chocolonely, 2017, p. 85)

3. Better quality and productivity

In its Annual Fair Report 2016-2017, Tony’s clearly states that ‘it is also the farmers’ responsibility to maximize their income. They have to run their farms professionally so they produce at least 800 kg per hectare. This is a high but achievable level of productivity in West Africa’ (p. 12). In practice, many farmers do not manage this production rate and have an average production rate of approximately 450-500 kg per hectare. In these cases, even with the premium, farmers will not earn a living income.

Tony’s therefore also supports the professionalization of farmers by providing financial resources and connecting farmers with local consultants. They work with ‘role model farmers’, who inspire and empower farmers to use innovative techniques.

4. Long-term relationships

One of the ways in which Tony’s tries to ban slavery and child labour is by investing in long-term commitments, of at least five years, with cooperatives in Ivory Coast and Ghana, and other partners in the value chain. This provides cooperatives and farmers with income certainty, enabling them to invest in better technologies for future production.

5. Strengthen the position of farmers

When farmers join forces in cooperatives, they can share knowledge, search for new buyers and markets, and get resources cheaper by using the advantage of scale. Despite these benefits, only 30 % of farmers in West Africa are members of a cooperative. Tony’s wants to

show farmers the benefits of joining a cooperative and therefore invests in professionalization of their partner cooperatives.

Setting an example

Tony's mission is to guarantee good living standards for farmers and ensure 100 % slave-free cocoa production. A recurring theme in Tony's journey is that a lack of information about the processes in the production chain of cocoa can lead to diffusion of responsibility. Making the value chain transparent provides everybody with access to information and makes it more likely for the players in the cocoa industry to take a stand in making chocolate 100 % slave-free. To put these ideas into practice, Frans Pannekoek -the supply chain manager of Tony's- and software developer ChainPoint are developing a system called Beantracker. This system enables the traceability of Tony's beans by following the location and amount of beans in real time. Tony's believes that cooperation is of vital importance to ban slavery and child labour. Therefore, the Beantracker system will be available for competitors as well.

Tony's organizational culture

When Tony's started, the founding journalists had a strong vision of what the company should be like: *'Our vision is of a 100% slave-free chocolate sector'*. For Tony's, the best people to work within Tony's are people who are 100% convinced that Tony's can change this sector systematically, and who are committed to making the best chocolate. They have a clear vision of who they are looking for, namely people with strong intrinsic capabilities and an entrepreneurial drive. *'They are people who get things done, who find creative solutions, who are undaunted when things are not easy or straightforward, and who constantly look for and pursue new opportunities to achieve Tony's vision'* (Blom, van Burg, Verhagen & Hillen, p.12).

At the time of writing, 75 people work at Tony's; their growth has been especially significant over the last year. They went up from 40 employees in just over a year, and that is without counting interns and the 7 in the Tony's office in Portland. Because of the rapid growth, Tony's introduced a new organizational structure in 2017. This includes the appointment of

Choco Chiefs & Heads (see table 3). From its very start, Tony’s has a tradition of coming up with funny-sounding job titles for all its employees, and this tradition is still going strong.

Table 3. Organizational Structure

Choco Chiefs	Tony’s Heads
Henk Jan Beltman, Chief Chocolate Officer (Also Statutory Director)	Frits ‘Choconator’ Snel, Head of Sales
Freek Wessels, Bean Counter (also Statutory Director & Head of Finance)	Pascal van Ham, ‘Chocoloco’, Head of Marketing
Anne-Wil Dijkstra, Choco Co-Captain	Frans Pannekoek, Bean to Bartender, Head of Operations.
	Paul Schoenmakers, Impactus Prime, Head of Impact.
	Kristel Moedt, Head of People & Culture.

(Tony’s Chocolonely, 2016, p. 29)

This change in organizational structure was needed to handle the growth in activities and volume and to be able to guarantee a good work-life balance amongst their employees.

Organizational Attractiveness

A lot of people think that social enterprises don’t have enough money to both pursue a social mission and invest in their employees to keep them satisfied. And indeed, in the start-up phase, Tony’s could not offer top salaries and paid around 25% less than average for comparable positions in other companies. Instead of offering money, they focused on offering ‘a way of life’. They wanted to be the best employer that an employee can wish for, with equality, solidarity, pleasure and performance as key components. Nowadays Tony’s is doing well and able to offer a good salary. Salary levels are now comparable to the market average, but don’t rise above it.

At Tony’s, the ‘social’ aspect of social entrepreneurship extends to team spirit and mutual trust. Therefore, a part of the profit is invested in the organization itself to keep employees happy and allow them to have ‘a little fun along the way’. Financially investing in

organizational culture is not yet recognized as beneficial by some other organizations, but Tony's finds it truly significant. They have proven this by being crowned as the Best Workplace of the Netherlands in 2014 (category Small & Young Workplaces), and are aiming to receive this award again.

One way to create this culture of safety and trust amongst employees is by enabling employees to really get to know each other. Time and money is invested in this. For example, there is an annual skiing trip (the US office went surfing), every month critical sessions with the entire team are organized, there are quarterly meetings where the core values are discussed, and great lunches are provided so employees really leave their desk and have lunch together. They also have 'office bingo' where every six months an employee moves to another place within the office. And they have a WhatsApp group for employees. *'We believe that when all our benefits are added, they end up being above-average compared to the complete packages other companies give their employees.'*

However, the most important quality for considering whether someone is a good fit for Tony's team is their intrinsic social motivation. Tony's is a purpose-driven company and by creating a safe environment and giving employees freedom to organize their work, the company aims to inspire employees to do their job well and have the impact they stand for. Every employee wants to feel that they actually make a difference in the world. Then, having benefits such as free lunches, trainers, bootcamps and yoga really are secondary.

As an organization, Tony's is built on four pillars. The team formulated these pillars itself, on a team-building day. They are: outspoken, willful, entrepreneurial, and 'makes you smile'. To keep the spirit alive, every Monday morning a collective meeting is scheduled to hear what each employee is doing, and how far along they are in meeting their strategic and operational goals. Working at Tony's means there is a focus on employee development: everyone has a personal development plan, there are regular feedback sessions and there are externally facilitated coaching sessions with the management team. Taking initiative is rewarded and a very pleasant working environment is ensured.

This all implies that a strong HR structure is needed. Good feedback and communication is essential to maintain employee satisfaction and track how fairness is perceived. A feedback tool called Impraise delivers 360-degree feedback, which is used in appraisal meetings. In order to track how employees are feeling within the company they are asked to fill in a 'work-fun questionnaire' dubbed 'quest-cheer-nair' twice a year. With this questionnaire management checks how employees feel, if they are still passionate about the work that they do and if they feel organizational commitment. Issues that arise out of the results are dealt with. One example is that due to the quick growth in the number of employees, the office was getting much louder. People were complaining they could not concentrate any more. Therefore, they recently opened up new office space.

Selling and telling Tony's story

'Together we make 100% slave-free the norm in chocolate': this is Tony's very clearly stated mission. To achieve this, they have created a roadmap that outlines their long-term goals. It consists of three pillars: Tony's creates awareness, leads by example, and inspires to act. To create awareness, one of the most important aspects is to tell the story. At Tony's they believe in telling the story on the product, on stage and online. Tony's doesn't proactively use advertisement. They only use earned media and not paid media. After all, it's the mission of the company that needs to be exerted to the (potential) customers.

So when looking at the product, two things can immediately be noticed. First, the wrapper itself is very colourful with bold letters, and on the inside of the wrapper the mission is stated. Second, when the bar is opened people see that it is unequally divided. The unequal pieces represent the map of Western Africa and show consumers how unequally divided the cocoa industry is.

Awareness is also created in other terms. In 2016, a 90-minute documentary movie called 'Tony' is made, partly paid for by the company. In this movie, the whole story of the company is told. It gets a cinema release and is shown on public television in the Netherlands.

In 2018, a book is published that also tells the whole story. Journalist and writer Jeroen Siebelink (2018) was partly paid by Tony's to write the book (in Dutch). Its title translates as 'The world-shaking and irresistibly tasty story of Tony's'.

Tony's also employs what they call a 'Choco Evangelist' to tell the story on stage. In 2016 and 2017, more than 100 talks were given at gatherings, events and conferences. Additionally, Tony's has a 'serious friends' programme and a Chocolonely Foundation. The more serious voice of Tony's was also expressed in BITTER, a photo exhibition about children from Burkina Faso who work on cocoa farms. With these more serious aspects, Tony's wants to place emphasis on the 'serious about people' part of its mission.

The future of Tony's

Finally, how does Tony's see its future? Tony's says they will continue to work on their mission as long as needed and possible. Clearly, the goal of having a slave-free production chain for chocolate has not yet been achieved. The latest available numbers, compiled by the US-based Tulane University in 2015, show that 2.1 million children in Ghana and Ivory Coast are victim of illegal child labour. These numbers have not improved in recent years. So there is a lot of work to do. Financial head Freek Wessels wants Tony's to become a substantial player in important markets, enabling the company to start the conversation with competitors, in order to realize a transition in sustainable cocoa sourcing.

Henk Jan Beltman holds a broad view. He stresses that the company will always be driven by generating impact. In his opinion, this fits well with how consumers are changing. They want to be part of and buy from companies that want to make the world a better place.

On his own role in the company, Henk Jan has mixed thoughts.

'A company goes through an initiation stage, then an entrepreneurial stage, and then you have a corporate stage. I couldn't invent Tony's. So what the journalist of Keuringsdienst van Waarde did, that is the initiation stage. I found out that I can be an entrepreneur, with a team around me. But now that the company has got bigger, my role has got more complicated. My natural DNA is being an entrepreneur, and not a corporate manager. So I

have to rethink my role within the company. I feel a day coming that I have to let go of the company and that somebody else can take up the next stage. Because I honestly feel that the worst thing that you can ever do is being the bottleneck to the growth of your own company.'

Appendix 1. Social entrepreneurship and impact

Social entrepreneurship

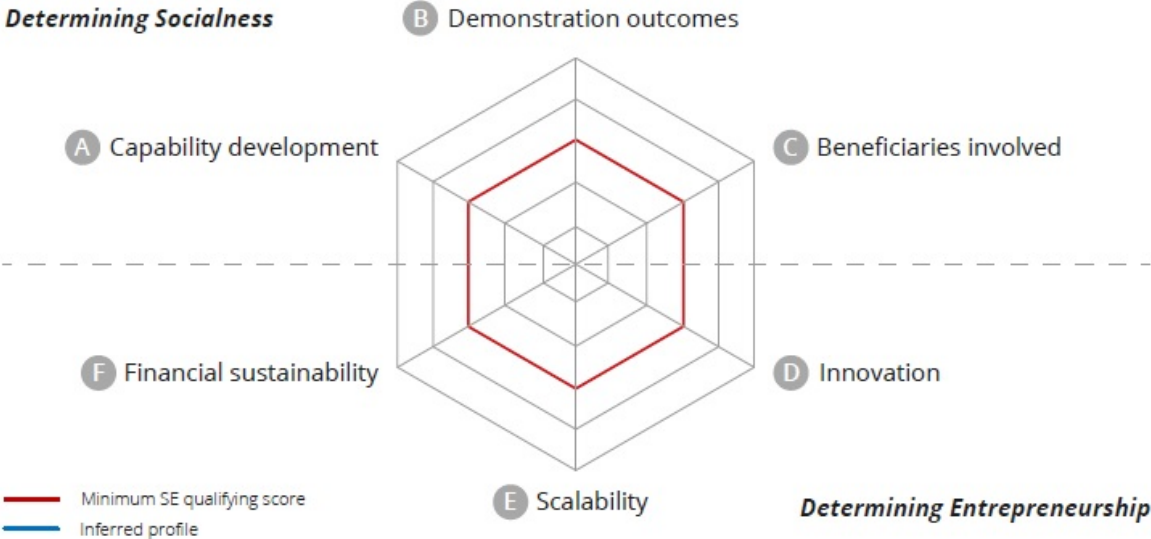
The logic and reasoning applied in social enterprises like Tony's Chocolonely is wholly different from the 'traditional' economic way of thinking. Where traditionally, economics is focused on growth, measured in financial indicators, this new economic way of thinking puts sustainability and impact first. British economist Kate Raworth is the most prominent proponent of this way of thinking, focusing on the concept of 'doughnut economics'. She basically argues that for an economy to be sustainable, safe and just, it needs to be inside the doughnut. The doughnut has borders on two sides which we should not cross: the basic social needs on the inside, and the zone of environmental danger on the outside.

Social enterprises have a focus on achieving their mission and want to generate impact in relation to this mission. In order to do so, they have to balance generating societal value and financial value. It can be difficult to define social enterprises. This is partly due to the fact that people approach the phenomenon of social entrepreneurship from a lot of different backgrounds and disciplines. For example, one scholar sees it as a specific form of entrepreneurship, while another sees it as a new type of organization linked to broad social processes in society. Choi and Majumdar (2013) therefore see social entrepreneurship as a conglomerate of several sub-concepts, with social value creation as the core of social entrepreneurship and the other sub-concepts coming into play depending on the goal of the research and the disciplinary lens chosen. There are different tools to distinguish social enterprises from traditional or 'regular' enterprises. Two useful models are:

1. The social entrepreneurship screen

Hummels (2018) proposes a 'social entrepreneurship screen', shaped like a web with six dimensions: three related to the social dimension of the enterprise, and the other three to the entrepreneurial dimension. Hummels proposes that an enterprise should reach a certain threshold in each of the six dimensions in order to 'qualify' as a true social enterprise.

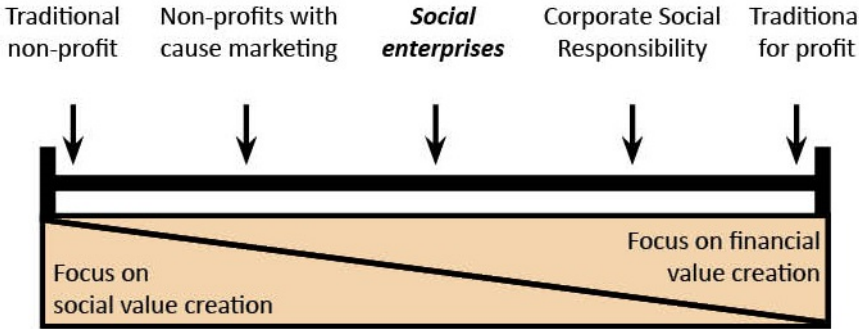
Figure 1. The social entrepreneurship screen



(Hummels, 2018 p. 17)

2. The organizational continuum of value creation focus
 Another tool showing the balance between focusing on social value creation and financial value creation is the entrepreneurial (or organizational) continuum.

Figure 2. The organizational continuum of value creation focus



At different points in time, organizations can be placed on the continuum. The continuum exists in different forms in the literature.

Social enterprises want to make positive social change. Theory of change⁶ is an important tool for analysing how a company's activities actually relate to this intended change.

The first step in making a theory of change is to identify long-term goals, or the intended impact a company would like to achieve. From there, a process of backwards reasoning starts, identifying the outcomes needed to achieve the intended impact; the outputs needed to produce those outcomes; the activities needed to bring about those outcomes; and the resources needed to start these activities.

Impact

For a social enterprise, impact is a central concept. A 'traditional' company is focused on financial value and can therefore report on its achievement in terms of profit or loss. A social enterprise is focused on creating social change and has to find a way to report on its achievements in relation to this. For this, the word impact is often used. However, it is usually not precisely defined. On a basic level, impact refers to the change that occurs as a result of the company's activities. To be more precise, a group of European experts defines it as follows: 'The reflection of social outcomes as measurements, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement), and for effects declining over time (drop-off)' (GECES 2014, p. vi).

To start measuring impact, it is recommended to first formulate a theory of change for the company. This provides a framework to distinguish impact from outcomes and outputs.

Appendix 2. Background material for the timeline of Tony's

The start of Tony's as a journalism project means that the company's story is well-documented from an early stage (although a lot of resources are only available in Dutch). The company has transparency as one of its core values. The main existing sources about Tony's used to compile this teaching case (full info in appendix 3, literature) are as follows:

- Tony's 'Annual Fair Reports', particularly the 2016-2017 report
- An earlier teaching case: Tony's Chocolonely - How a social enterprise is changing the chocolate industry (Blom et al., 2013)

⁶ The website theoryofchange.org provides a lot of info on making a theory of change.

- The book 'Het wereldschokkende en onweerstaanbaar lekkere verhaal van Tony's Chocolonely' (Siebelink, 2018)
- The film 'Tony. Van chocoladecrimineel tot wereldverbeteraar' (Coronel & Forrer, 2016)
- The video archive of the programme 'Keuringsdienst van Waarde'

In addition, four official interviews were held in the period May-July 2018. These were recorded, transcribed and analysed. Interviews were held with:

- Freek Wessels, Bean Counter, Statutory Director & Head of Finance, 4 May 2018
- Ynzo van Zanten, Choco evangelist, 14 May 2018
- Henk Jan Beltman, Chief Chocolate Officer and Statutory Director, 19 June 2018
- Anne-Wil Dijkstra, Choco Co-Captain, 2 July 2018

Appendix 3. References

All websites mentioned were accessed in the period March – July 2018

Blom, E., van Burg, E., Verhagen, P. & Hillen, H. (2013). *Tony's Chocolonely - How a social enterprise is changing the Chocolate industry*. Retrieved from Social Enterprise NL website: https://www.social-enterprise.nl/files/1814/4198/0581/Tonys_Chocolonely_Teaching_Case_Version_Beta.pdf

Coronel, B. (Producer), & Forrer, B. (Director). (2016). *Tony: Van chocoladecrimineel tot wereldverbeteraar* [Documentary Picture]. Netherlands: Dahl TV / Blazhoffski. <https://tonyschocolonely.com/nl/nl/doe-mee/tony-de-film>

Siebelink, J. (2018). *Het wereldschokkende en onweerstaanbaar lekkere verhaal van Tony's Chocolonely*. Amsterdam, Netherlands: Thomas Rap.

Tony's Chocolonely (2013). *Jaarfairslag 2012*. Retrieved March, 2018, from <http://doczz.nl/doc/214372/jaarfairslag-2012---tony-s-chocolonely>

Tony's Chocolonely (2014). *Annual Fair Report 2013*. Retrieved March, 2018, from

<http://ec.europa.eu/DocsRoom/documents/21725/attachments/7/translations/en/renditions/pdf>

Tony's Chocolonely (2015). *Annual Fair Report 2014-2015*. Retrieved March 2018, from <https://www.studocu.com/en/document/university-of-south-africa/public-international-law/essays/tonys-chocolonely-annual-fairreport-2015/924835/view>

Tony's Chocolonely (2016). *Annual Fair Report 2015-2016*. Retrieved March 2018, from https://tonyschocolonely.com/storage/configurations/tonyschocolonelycom.app/files/jaarfaairslag/2015-2016/annualfairrep2016_eng_lrsreads_def.pdf

Tony's Chocolonely (2017). *Annual Fair Report 2016-2017*. Retrieved March 2018, from https://tonyschocolonely.com/storage/configurations/tonyschocolonelycom.app/files/jaarfaairslag/2017-2017/tc_jaarfaairslag_2016_en_totaal_01.pdf

Questions for the students

1. Tony's on the screen

Tony's Chocolonely can be seen as a social enterprise. However, social enterprises can be hard to define. Try to score Tony's using the 'social entrepreneurship screen' (Hummels 2018, see appendix A). Explain what dimension(s) you find the most problematic to score.

Suggested Readings:

- Choi, N, & Majumdar, S. (2013). Social entrepreneurship as an essentially contested concept: opening a new avenue for systematic future research. *Journal of Business Venturing*, 29(3), 363–376. <http://dx.doi.org/10.1016/j.jbusvent.2013.05.001>
- Hummels, G. J. A. (2018). *The 18th SDG. Social entrepreneurship in a global society*. Universiteit Utrecht, 1 March. Available in open access: <https://www.uu.nl/file/71929/download?token=wCKt0-J6>
- Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice*. (2nd ed.). London: Sage Publications. Chapter 2: Defining social enterprise.

2. Time travel on the continuum

The entrepreneurial (or organizational) continuum is a tool showing the balance between focusing on social value creation and financial value creation (see appendix A). Draw a diagram with the organizational continuum on the x-axis and time on the y-axis. Then map Tony's journey through time on the continuum. Explain key moments on the timeline.

Suggested readings:

- Keizer, A., Stickers, A., Heijmans, H., Carsouw, R. & Van Aanholt, W. (2016). *Scaling the impact of the social enterprise sector*. McKinsey & Company.
<http://www.mckinsey.com/industries/social-sector/our-insights/scaling-the-impact-of-the-social-enterprise-sector>
- Raworth, K. (2017). *Doughnut economics: seven ways to think like a 21st-century economist*. United Kingdom: Chelsea Green Publishing.

3. Connecting Tony's to the goals

The United Nations Sustainable Development Goals (SDGs) is a set of goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved by 2030. The list of 17 goals was adopted in 2015 and forms the main agenda for sustainable development for everyone: from governments to the private sector and from civil society organisations to individual citizens. Tony's Chocolonely can be connected to the SDGs in different ways.

- a. Mission: Explain to which of the SDGs Tony's mission can be connected.
- b. Activities: How do Tony's activities, as reported in the Annual Fair Report, correspond with the goals?
- c. Future potential. In connection to which of the SDGs do you see the greatest potential for Tony's to make an impact in the coming decade? Provide arguments for your choice.

Suggested readings:

- GRI, United Nations Global Compact, & WBSCD (2015). *SDG compass - The guide for business action on the SDGs*. *SDG Compass*. https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf

- United Nations (2015). Sustainable Development Goals.
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
- Hummels, G. J. A. (2018). *The 18th SDG. Social entrepreneurship in a global society*. Universiteit Utrecht, 1 March. Available in open access:
<https://www.uu.nl/file/71929/download?token=wCKt0-J6>

4. Tony's goes international

Write an analysis (250-300 words) for Tony's executive board of the company's internationalisation strategy of dividing the world into gold, silver and bronze markets. Link the strategy to Tony's mission. End your analysis by giving Tony's advice on their strategy for the coming three years.

Suggested readings:

- Keizer, A., Stickers, A., Heijmans, H., Carsouw, R. & Van Aanholt, W. (2016). *Scaling the impact of the social enterprise sector*. McKinsey & Company.
<http://www.mckinsey.com/industries/social-sector/our-insights/scaling-the-impact-of-the-social-enterprise-sector>
- Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice*. (2nd ed.). London: Sage Publications. Chapter 8: Strategic Management and Planning.

5. Tony's and impact

Take the definition of impact given by the European group of experts: 'The reflection of social outcomes as measurements, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement), and for effects declining over time (drop-off)' (GECES 2014, p. vi). Try to formulate an example applicable to Tony's activities for each of the adjustments mentioned:

- effects achieved by others (alternative attribution)
- effects that would have happened anyway (deadweight)
- negative consequences (displacement)
- effects declining over time (drop-off)

Suggested readings:

- Aps, J., Carpenter, B., Fortuna, A., Nicholls, J., Ongan, G., Titz, S., Urgan, E., Uibu, M. & and Yalçın, A.S.M. (2017). *Maximise your impact: a guide for social entrepreneurs*.
<http://www.socialvalueuk.org/app/uploads/2017/10/MaximiseYourImpact.24.10.17.pdf>
- Hehenberger, L., Harling, A-M., and Scholten, P. (2013). *A Practical Guide to Measuring and Managing Impact*. EVPA Knowledge Centre. [http://www.oltreventure.com/wp-content/uploads/2015/05/EVPA A Practical Guide to Measuring and - Managing Impact final.pdf](http://www.oltreventure.com/wp-content/uploads/2015/05/EVPA_A_Practical_Guide_to_Measuring_and_Managing_Impact_final.pdf)
- Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice*. (2nd ed.). London: Sage Publications. Chapter 4: Measuring Social Value: Outcomes and Impacts.

6. Tony's balance?

Two main ingredients are used to make chocolate: cocoa mass and cocoa butter. Whereas Tony's managed to make its cocoa mass traceable in 2013, they weren't able to fully trace the cocoa butter back to its origin at that time. Explain why selling white chocolate, which is mainly made from cacao butter, posed a dilemma for Tony's. In your answer take into account Tony's pursuit of a commercially successful business on the one hand and making a positive impact in the cocoa industry on the other hand.

Suggested reading:

Fisk, P. (2010). *People planet profit: How to embrace sustainability for innovation and business growth*. Kogan Page Publishers.

7. Tony's and Human Resources Management

Noe, Hollenbeck, Gerhart and Wright (2017) define Human Resources Management (HRM) as: Policies, practices and systems that influence employees' behaviour, attitudes and performance.

HRM Defined



(Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M., 2017)

Make an assessment of HRM within Tony's in the period 2016-2018. What would you highlight as going well and less well and what advice would you give the responsible person within the company?

Suggested Readings:

- Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2017). *Human resources management* (9th ed.). Europe: Mc Graw-Hill Education.
- Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice.* (2nd ed.). London: Sage Publications. Chapter 12: Governance and Human Relations.

8. Tony's and culture

A general definition of organizational culture is 'a pattern of shared basic assumptions learned by a group which are considered as valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel' (Schein, 2010).

What are the first steps that need to be taken to become a sustainable company, taking culture into account?

Suggested readings:

- Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice.* (2nd ed.). London: Sage Publications. Chapter 8: Strategic Management and Planning.

- Robbins, Stephen P., Judge, Timothy A (2016). *Organizational Behavior*. (17th ed.). Pearson Education.
- Schein, E. H. (2010). *Organizational culture and leadership* (Vol. 2). John Wiley & Sons.

9. Tony's and transparency

Explain how transparency in the value chain can contribute to consumers' willingness to pay a relatively high price per bar.

Suggested reading:

Choi, E. J., & Kim, S. H. (2013). The study of the impact of perceived quality and value of social enterprises on customer satisfaction and re-purchase intention. *International Journal of Smart Home*, 7(1), 239-252.

10. Tony's Golden Wrappers

Tony's employees have the opportunity to buy shares in the company ('Golden Wrappers'). Explain how this strategy can simultaneously be an opportunity and a possible threat for Tony's performance as a social enterprise.

Suggested reading:

Ridley-Duff, R. & Bull, M. (2016). *Understanding social enterprise. Theory and practice*. (2nd ed.). London: Sage Publications. Chapter 8: Strategic Management and Planning.