



Corporate Social Entrepreneurship

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Corporate Social Entrepreneurship (CSE) is a process aimed at enabling business to develop more advanced and powerful forms of Corporate Social Responsibility (CSR).

The CSE Concept

CSE emerges from and builds on three other conceptual frameworks: entrepreneurship, corporate entrepreneurship, and social entrepreneurship. CSE's conceptual roots begin with Schumpeter's vision that nations' innovation and technological change emanate from individual entrepreneurs with their *unternehmergeist* or fiery spirit generating "creative destruction" of old ways with new ones (1912, 1934, 1942). Stevenson (1983; 1985) provided a different definition of **Entrepreneurship**: "the pursuit of opportunity through innovative leverage of resources that for the most part are not controlled internally." Schumpeter had projected that the engines of entrepreneurship would shift from individuals to corporations with their greater resources for R&D, which did happen. However, over time corporate bureaucracy was seen as stifling innovation.

To remedy this, a focus on **Corporate Entrepreneurship** within companies emerged, with Covin and Miles (1999) defining it as "the presence of innovation with the objective of rejuvenating or redefining organizations, markets, or industries in order to create or sustain competitive superiority." In parallel, the concept of **Social Entrepreneurship** emerged. Dees (1998) defined it as "innovative activity with a social purpose in either the private or nonprofit sector, or across both." Others have offered conceptual refinements (Bornstein 2004; Nicholls 2006; Martin and Osberg Spring 2007; Light 2007; Elkington and Hartigan 2008; Ashoka 2009).

CSE integrates and builds on the foregoing concepts and has been defined by Austin, Leonard, Reficco, and Wei-Skillern (2006) as "*the process of extending the firm's domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value.*" The fundamental purpose of CSE is to accelerate companies' organizational transformation into more powerful generators of societal betterment.

Carroll (2006) provided a rich historical account of the evolution over the last fifty years of businesses' approach to societal responsibilities. Over the past two decades, the traditional concept and practice of corporate philanthropy has undergone a significant evolution into **Corporate Social Responsibility** with a variety of labels, such as corporate citizenship, triple bottom line, and strategic philanthropy (Zadek 2001; Carroll 2006; Visser, Matten et al. 2007; Googins, Mirvis, and Rochlin 2007). While significant progress is being made in involving companies in CSR, a national survey (Center for Corporate Citizenship 2004) in the USA revealed that most firms have not been able to significantly integrate CSR into their organizations. Googins and Rochlin (2006) assert: "What is clear is the widespread agreement on the need for a more active and strategic citizenship," and they also note that there is no dominant framework or model for bringing that about. Doing more of the same or making incremental changes will not bring about the needed

change. CSE aims to provide an approach that will accelerate the CSR journey. It is not another form of CSR but rather process for invigorating and advancing the development of CSR.

The analysis that follows is based first on an in-depth qualitative study of two companies that were considered to be pioneers in the practice of CSE: The Timberland Company (Austin, Leonard, and Quinn 2004; Austin, Leonard, and Quinn 2006), maker of outdoor apparel and accessories, and Starbucks Coffee, a prominent specialty coffee company (Austin and Reavis 2002; Austin, Weiskillern, and Gendron 2004). These studies were supplemented with a review of practices of dozens of other companies.

Key Elements of CSE

CSE aims to produce a significant and comprehensive transformation of the way a company operates. The following elements are central to that process: creating an enabling environment, fostering corporate social intrapreneurs, amplifying corporate purpose and values, generating double value, building strategic alliances.

Enabling Environment. For companies to move from their old approach to CSR to the CSE approach they must adopt an entrepreneurial mindset and cultivate an entrepreneurial environment that enables fundamental organizational transformation. This can only happen if top leadership champions the change. This requires a powerful vision of where the CSR revolution is taking the company and why it is vital to the organization's success. Orin Smith, former President and CEO, Starbucks Coffee Company expressed it this way, "Aligning self-interest to social responsibility is the most powerful way to sustaining a company's success." That vision and strategy must also be accompanied by changes in the company's structures and processes. There must be performance measurement indicators for the economic and social value generated and the incentive and reward system must be aligned with these indicators. Through these "guidance systems" (Paine 2003) top management helps to assure that operating performance is aligned with professed commitment to social value creation.

With the entrepreneurial culture these companies seek to "bring down the castle walls," and to create internal synergies in their decision-making processes. Thus, they rely heavily on cross-functional teams which bring to the table all relevant stakeholders in any given issue. This system helps the company "think out of the box" and "work across silos." While in traditional companies management teams are comprised exclusively by those who create revenue, when companies engage in CSE, management teams are also filled by those with the primary responsibility of creating social value. This is meant to ensure that organizational values permeate all units of the company and are thoroughly integrated into its internal processes. The guidance systems support entrepreneurial activity in a corporate setting, as entrepreneurial talent is actively sought and recruited, and autonomous entrepreneurs are empowered and given clear goals consistent with a solid value-based organizational culture.

The Corporate Social Intrapreneur. The CSE process is powered by multiple change agents or Intrapreneurs. Social and corporate entrepreneurship differentiate the roles of the social or corporate entrepreneur from the role of managers. Both are distinct and usually sequenced: the former is a change catalyst for the launching of start ups, the latter is critical for seeing these

initiatives through and implementing them. (Thompson, Alvy, and Lees 2000). In CSE, on the other hand, both roles coexist permanently; corporations need to be entrepreneurial in order to innovate and go beyond their traditional managerial approaches. This means ultimately transforming the way the company is managed. The key vehicles for moving the company in this direction are individuals within the enterprise who are focused on fostering and bringing about the *internal* organizational transformation and innovation that moves the organization to more advanced state of CSR.

Previous research (Austin, Leonard et al. 2005) has identified some defining characteristics of CSIntrapreneurs. They are internal **champions**, continuously advocating for the integration of social and business value as a central tenet for the company. They are good **communicators**, particularly articulate about the rationale and importance of the transformation. They are also active listeners to various stakeholders and are able to speak to these groups in ways that reveal how the social action is relevant to their needs and interests. They are **creators** of innovative solutions: new resource configurations, actions, and relationships. They are not managers of the status quo, but creators of a new, sometimes disruptive one. They are **catalysts** for change, who inspire and create synergies in the work of others. They are **coordinators**, able to effectively reach across internal and external boundaries, mobilizing, and aligning interests and incentives. They are perceived as useful **contributors** who support the success of others. Rather than being perceived as building a new power center, Corporate Social Intrapreneurs are team players who enable other groups. Finally, they are shrewd **calculators**; cognizant of the realities of the corporate environment, they are cost-conscious and mindful of the bottom line. Change is not framed in terms of ideals or intentions, but in terms of aligned incentives. Plus, as organizational change agents, they need to be able to assess how fast and far they can move the transformational process within the realities of the organization.

Corporate Purpose: values-based organizations. One of the key focal points of CSE is company values. Getting organizational values right is vital to advancing CSR. The CSIntrapreneurs need to ensure that social value generation – fulfilling social responsibilities – is seen as an essential component in companies' mission and values statements. The CSE process aims to ensure that the words are translated into action. The values-based organizations see themselves as trustworthy, moral agents, capable of generating trust based on sustained ethical behavior and innovative solutions to social problems. Their goal is not just to comply with the law, or to be responsive to key stakeholders: they seek to lead through example, to exceed expectations, and to set new standards. In these organizations, social values are not viewed as a shiny patina meant to embellish the “real” company, but rather as a structural component, a cornerstone of their organizational identities. Values were not adapted to an existing strategy, but the other way around. This feature empowers individuals and unleashes their creative energies. Substantial levels of adherence to shared values bring down the costs of coordinating the work of different organizational units (Paine 2003), and facilitates working across departmental lines.

Timberland, in a fundamental move, formulated a set of values - “humanity, humility, integrity, and excellence” - that held the company and its people should make a positive difference in society and that its culture should foster involvement in confronting and solving social problems. A Timberland Human Resources manager noted, “The awareness of values is what we are trying to raise with folks. It’s no longer going to be acceptable just to get the business result.” The company

translated these values into action through supporting employee community service and became a leading innovator by giving each employee up to 40 hours of company time off for such work, more than any other company.

Value congruency across the organization allows for the infusion of a social entrepreneurship spirit under the umbrella of a large structure. In the words of Colleen Chapman, Starbucks Director for Brand Management, their approach is “continued application of our values inside of everything we do, from a marketing standpoint, from a product development standpoint, who we hire, how we hire, how we treat our people.”

Value Creation and The Double Return. Entrepreneurship is all about finding innovative ways to create value. CSE aims to ensure that the very purpose of these corporations migrates from one of maximizing returns to investors to optimizing returns to stakeholders, with those being defined as groups who are significantly affected by company actions and who can in turn impact the company. The underlying premise is that serving such a broader constituency will make the company more sustainable. This amplified purpose means that the company is producing both economic and social value, which some have referred to as a double or triple (if one breaks out environmental value as a separate category) bottom line, or “blended value” (Emerson 2000, 2003, March 2006; Emerson and Bonini 2003). The important purpose of CSE is to discover ways make these returns complementary and synergistic rather than competing (Paine 2003). In this approach organizations’ social value creation is not treated as something separate or peripheral. On the contrary, it is imbedded in a larger and transparent accountability system that reports performance to the internal and external stakeholders. We are witnessing the emergence of a multitude of such indicators, standards, and codes. The CSE approach aims to ensure that these measures of performance have parity with the traditional ones and become part of the corporate DNA.

CEO Jeff Swartz stated, “I’m convinced business can create innovative, valuable social solutions that are good for business and society. Commerce and justice don’t have to be antagonistic notions.” He explained the company’s approach, “We operate on the core theory, on the belief that doing well and doing good are not separate ideas; they are inseparable ideas. That, in fact, they are inextricably linked and that everything we do, every business decision we make, every strategy we promulgate, every speech we make, or every pair of boot or shoes that we ship, have to be the embodiment of commerce and justice, and that’s a different model.”

Co-generating Value. A vital part of the value generating strategies is collaborating with other organizations – businesses, civil society, or governmental. These alliances are the vehicles for achieving what the CSE definition referred to as *extending the firm’s domain of competence and corresponding opportunity set through innovative leveraging of resources outside its direct control*. Strategic alliances that combine complementary core competencies can create new resource constellations that enable innovative solutions to long-standing social and economic problems. This leveraging of distinct organizational capabilities and resources produces powerful co-generation of social and economic value (Austin 2000; Austin, Reficco et al. 2004; Kanter 1999). Strategic alliances also seem to be critical to the success of emerging innovative business strategies with low income sectors at the “base of the pyramid” (Prahalad 2005; Hart 2005; Rangan, Quelch et al. 2007; Márquez, Reficco, and Berger forthcoming).

CS Intrapreneurs are also Entrepreneurs who are constantly reaching out to leverage these resources outside their direct control, building internal and external bridges. Externally, these companies leverage intensively their relationships with stakeholders for joint action through partnerships. The aligning of company agendas with those of external groups to create social value becomes an institutional habit, engrained in the company's culture, and carried out through CSE. Partnerships are considered assets through which organizations overcome their organizational constraints. By engaging decisively their external stakeholders, these companies are able to multiply the impact of their efforts.

In the words of Sue Mecklenburg, Starbucks Vice President of Business Practices, partnerships allows the company "to extend our reach to areas where we have interests, but perhaps not influence or expertise. It's a real extension of what we can do, and often what we would like to do, or what our customers expect us to do --issues that are very complex and difficult to solve." Starbucks entered into a partnership with Conservation International to foster environmentally sustainable coffee production among small farmers in Chiapas, Mexico. This nonprofit brought to partnership its environmental expertise and its capacity to work with small farmers. Starbucks contributed its knowledge of quality coffee production and its marketing channels. This entrepreneurial combination of distinctive competencies created a process that developed new production techniques and new supply of organic coffee for Starbucks, which in turn generated significant income enhancements to the farmers and improved environmental conditions in the growing areas. This initial partnership expanded to other countries and even led to the reformulation of Starbucks' basic coffee procurement criteria and procedures.

The Challenges and Opportunities of Applying CSE

The penetration of the social realm into corporate strategy has gathered momentum in the last years. The movement for CSR has "won the battle of ideas" (Crook 2005). By now, most well-managed companies have adopted the practices and certifications *de rigueur* in their industries, having gone through what Zadek (2004) calls the "defensive" and the "compliance" stages of CSR. Managing the social and environmental footprint of economic activity is generally accepted as part of the cost of doing business. But much remains to be done. If companies are to move their CSR activities from satisficing behavior and take their commitment to society and the environment to the next level, they will need to rethink their current approaches to CSR, tapping into the creativity of every individual. CSE, like all entrepreneurship, is not about managing existing operations or CSR programs; it is about creating disruptive change in the pursuit of new opportunities. It combines the willingness and desire to create joint economic and social value with the entrepreneurial redesign, systems development, and action necessary to carry it out.

Accelerated organizational transformation faces a host of obstacles well-documented in the change management literature. Because CSE expands the core purpose of corporations and their organizational values, it constitutes fundamental change that can be particularly threatening and resisted. Furthermore, it pushes the corporation's actions more broadly and deeply into the social value creation area where the firm's experiences and skill sets are less developed. The sought for disruptive social innovations intrinsic to the CSE approach amplify this zone of discomfort. However, these challenges are superable, as experiences in innovative companies reveal. Furthermore, it is continually becoming more evident that values-based leadership, synergistic

generation of social and economic value, and strategic cross-sector alliances are key ingredients to achieving sustainably successful business. The CSE process will contribute to our collective quest for superior organizational performance and societal betterment. This is the great opportunity and action imperative.

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