

The Duality of Social Enterprise: A Framework for Social Action

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Executive Summary

Social enterprises are organizations intent on using the power of the marketplace to solve social and environmental problems. Although their popularity as an approach to business is growing, they are beginning to face a variety of challenges. To help ensure their survival, the paper argues that key business and ethical criteria need to be considered at key stages of the social-action selection process. The Social Action Framework (SAF) is introduced as mechanism to help managers make more effective social-action choices. It is explained using anecdotal evidence from a variety of organizations. In addition, the criteria of the SAF are used to generate an action-based definition of social enterprise and differentiate it from other organizational approaches to social-welfare enhancement.

Introduction

Defined as organizations seeking to achieve social goals through sustainable profits, social enterprises are becoming a popular new approach to business (Hamm, 2008; Lynch and Walls, 2009; Meyskens, Robb-Post, Stamp, Carsrud, and Reynolds, 2010). They propose to use the power of the marketplace to solve all types of social and environmental

concerns. Take, for example, Tom's Shoes, a rapidly growing social enterprise. Every time it sells a pair of shoes to a paying customer, it gives a pair to a needy individual (www.toms.com). Its business model is based on a one-donation for one-sale arrangement, altering traditional approaches to both *corporate social responsibility* (CSR) and not-for-profit charities (Lynch and Walls, 2009). Its sales are directly linked to charity *and* it must remain profitable to survive. Because this novel approach has the potential to change the way business is done, the current paper explores social enterprise as a concept and introduces a framework to help manage social action within organizations.

While the notion of social enterprise has an obvious appeal for many, its ultimate impact in the marketplace has yet to be established (Trexler, 2008; Paris Tech Review, 2011). Challenges are emerging that may prevent the concept from realizing its full potential (Akwagyiram, 2008). First, the bleak economic outlook has not only decreased access to credit and investors but has also reduced the availability of donors and customers (Strom, 2010). Now everyone has to do more with less.

Second, traditional enterprises, firmly grounded in free-market, profit-seeking practices are responding to societal pressure by stepping up their own efforts to help

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the environment, reduce poverty, and make the world a better place (Werner, 2010). For example, Wal-Mart has not only begun using renewable energy sources to power its retail stores (*Wal-Mart's Public Image, 2009*) but has also begun encouraging customers to purchase more energy-efficient light bulbs (*Wal-Mart Surpasses Goal, 2007*). Perhaps a more focused, better funded CSR effort by traditional enterprise is all that is needed to secure the long-term welfare of humanity (Schuler and Cording, 2006). We may not need a new organizational form to solve our social problems.

Third, governments, organizations, researchers, and other relevant parties have been unable to reach consensus regarding the fundamental differences between CSR efforts, not-for-profit charity work, and social enterprises (Warwick, 2008; Spence, 2007; Nehme and Wee, 2008). Without a consistent, agreed-upon way to determine what *is* and *is not* a social enterprise; the potential of the concept is weakened (Kerlinger and Lee, 1999).

At present, there is no comprehensive guidance mechanism for connecting social concerns with capitalism drivers to enhance social welfare. Therefore, the current paper introduces a framework for dualistically analyzing social action within organizations. It can be used by any organizational form and is designed to support a variety of social-action decisions. Its aim is to improve the social performance of all organizations. The paper begins by grounding the concept of social enterprise and highlighting the need for a framework. It then introduces the Social Action Framework (SAF) and describes each component in detail using a variety of organizational examples. Finally, it provides an action-based definition of social enterprise useful for categorizing organizational approaches to social welfare enhancement.

Conceptually Grounding Social Enterprise

With the Internet and other forms of global media increasing access to vast amounts of information, we are now more aware of the myriad problems facing our world (Arvidsson, 2009). From pollution, to resource depletion, to social injustice, to overpopulation, to climate change, to stagnating economic opportunities, we are all becoming aware of how much we need social-welfare enhancement (Prud'homme, 2011). As a result, the economic value we place on societal concerns is increasing. And, organizations of all types are responding by stepping up efforts to address these concerns (Clark and Ucak, 2006; Buckley and Goldstein, 2008; Tapsell and Woods, 2008). While definitions of social enterprise vary tremendously (Prahalad, 2005; Massetti, 2008; Nehme and Wee, 2008; Lynch and Walls, 2009; Yunus, 2010; Wikipedia, 2011; Paris Tech Review, 2011), in effect, they represent organizational responses to changes in the economic value of social-welfare enhancing efforts (Goldstein, Hazy and Silberstang, 2008; Schultz, 2010).

Fundamentally, definitions of social enterprise consistently reflect the interplay of three powerful societal forces:

- *Ethics, Business, and Social Action* (Nehme and Wee, 2008; Yunus, 2010; Prahalad, 2005; Veblin, 2011). Ethics is defined as concern for the suffering or welfare of others (Harris, 2005). As a concept, it serves as a core building block for society (Newall, 2005). Ethical conduct establishes the trust needed between people to sustain long-term relationships (Cialdini, 2001).
- *Business* is defined as a value-for-value exchange (Businessdictionary.com), and serves as a core building block of our economic system (Whitney, 1996; Veblin, 2011). Because value is a perception-based phenomenon, it can vary across people, places, things, and time. Typically, it is established through

experience (Whitman, 2008; Mailath and Postlewaite, 2006).

- *Social Action* is defined as behavior which accounts for the conduct of others (Weber, 1978). It is an interactive process that varies according to context, and can be guided by consequences (Skinner, 1976). As a concept, it serves as the foundation of identity. In effect, we rely heavily on how we act to determine who we are (Cooley, 2008; Mead, 1938).

Depending on how these three forces are emphasized, specific definitions of social enterprise vary. For example, some definitions emphasize using business techniques to achieve social goals within traditional not-for-profits (Hamm, 2008; Whitman, 2008) while others emphasize using more philanthropic behavior within traditional corporate structures (Spence, 2007; Scherer, Palazzo, and Matten, 2009). Still others emphasize the criticality of maintaining a proper balance between generating profits and achieving social goals (Yunus, 2008). With mounting pressure for organizations of all types to address social concerns, we can expect the resulting social actions to blend business and ethical considerations in increasingly complex ways.

The Need for a Framework

Unfortunately, the emerging complexity in organizational responses to social concerns increases both marketplace confusion and unpredictability (Scherer, Palazzo, and Matten, 2009; Lee, Faff, and Langfield-Smith, 2009). Moreover, the pressure to adapt is producing strategic conflicts-of-interest (Westhues and Einwiller, 2006; Nehme and Wee, 2008), tactical execution challenges (Joop, Charles and Neal, 2009), and operational concerns for resource use (Meyskens et al, 2009) and outcome clarity (Van Rekom, Van Riel, and Wierenga, 2006; Lee, Faff, and Langfield-Smith, 2009).

For instance, J.C. Penney, a long-standing, for-profit corporation, has joined with the Salvation Army, a long-standing, not-for-profit,

to provide needy families a happier holiday experience. As a result, J.C. Penney's website accepts financial donations for the Salvation Army. In addition, J.C. Penney advertising encourages customers to purchase gifts for the Salvation Army. And, J.C. Penney takes logistic responsibility for delivering any purchased gifts directly to needy families (angel.jcpenney.com). Noticeably, these efforts produce public relations and tax benefits to J.C. Penney while supporting the Salvation Army's mission and enhancing society's welfare. However, they also blur established organizational boundaries as they increase the Salvation Army's reliance on J.C. Penney to solicit donors, provide value propositions, perform transactions, and deliver charitable outcomes. Moreover, they make tactical execution more complex as two separate organizations must now coordinate efforts to achieve outcomes previously handled by one. And, to ensure that customers, donors, and investors perceive the joint gift-giving effort as a generous and worthy idea, increased marketing costs are required for both organizations.

Although it is highly likely the benefits accruing to both organizations outweigh the costs in this example, other combinations of social-welfare enhancing efforts may not produce positive results. Because actions containing both business and ethical components are so complex, a method for assessing the strategic, tactical and operational impacts of these actions would be helpful.

The Social Action Framework Defined

Rather than focus on the suitability of various organizational forms for managing and assessing effective social-welfare enhancement, the Social Action Framework (SAF) uses *social-action* as the unit of analysis. Social action is a useful mechanism because it can be applied to any organizational form and allows for comparisons both over time and across organizations (Schuler and Cording, 2006).

In general, the SAF emphasizes the duality of key business and ethical concerns driving decisions regarding social action within organizations. Table 1 relates the key business and ethical criteria included in the SAF at key stages in the social action decision process. By considering both business and ethical criteria during key decision stages in the social-action selection process, a fuller understanding of social action implications emerges.

Table 1 Key Criteria at Key Decision Stages

Business Criteria:		Ethical Criteria:
Strategic	↔	Strategic
• Mission Congruence		• Social Legitimacy
Tactical	↔	Tactical
• Compliance Obligation		• Community Inclusion
Operational	↔	Operational
• Resource Use		• Outcome Clarity

Key Strategic Considerations. At a strategic level, a key business criterion for considering whether to pursue a social action is how congruent that action is with the organization's mission (Pearce and Robinson, 2009).

Actions which are Mission Congruent are aligned with the organization's mission. For example, GE's choice to build wind turbines to produce electricity is completely congruent with its "ecomagination" mission. From a strategic viewpoint, the action is not likely to create confusion in the marketplace or cause concern for GE stakeholders. Actions which are Mission Incongruent are out of step with the organization's mission. Take, for example, Pepsi's Refresh Project, where Pepsi Corporation invests millions of dollars of profits in social projects selected by individuals who vote for the projects on its website (refresheverything.com). This action is noticeably incongruent with Pepsi's recognized mission of providing convenient, quality snack foods.

Pepsi has chosen to invest millions of dollars of profit creating a financial support system for all types of community projects and social enterprises. Strategically, this action is likely

to cause a quite a stir in the marketplace and raise questions of mission focus in the minds of stockholders (Pearce and Robinson, 2006; Westhues and Einwiller, 2006).

A key ethical consideration at the strategic level is how socially legitimate the action is perceived to be. An action is considered socially legitimate to the extent that it is deemed welfare-enhancing by prevailing social institutions (Vidaver-Cohen and Bronn, 2008). In general, the more established the action, the more socially legitimate it is considered to be. (Mailath and Postlewaite, 2006; Vidaver-Cohen and Bronn, 2008). Socially established actions are "tried and true" ways to make the world a better place. McDonald's Corporation creating and supporting the Ronald McDonald House is a good example of a socially-established action. Giving families a place near the hospital to stay when a child is sick is widely considered a socially legitimate action. It is not likely to create conflict in the marketplace or be viewed negatively by stakeholders.

Social actions which are innovative also have legitimacy but are new and unfamiliar to society. APOPO's landmine-sniffing rats are an example of an innovative social action. APOPO offers a service which uses rats to locate landmines in war-torn fields so that the fields can be re-established as farmland. Although the rats are reusable, in that they only locate the mines for humans to defuse, significant investments in training, feeding, housing, and transporting the rats have been needed to get this Mozambique enterprise off the ground. And, while APOPO is currently profitable, it is heavily dependent on grants and other funding not intended to last long term. It needs more sales to survive (Manbeti, 2010). But the service is so unconventional that many who need it may not understand it well enough to desire it. Moreover, because places that need land-mine removal are typically war-torn and poor, there may not be money available for the service even if it is desired.

Key Tactical Considerations. At a tactical level, a key business criterion is how obligated the organization is to perform the action. Regardless of whether an action is or is not strategically congruent with its mission, tactically, the organization may be required to perform it anyway. For example, General Electric is required to clean-up PCBs from the Hudson River (Prud'homme, 2011) whether it wishes to or not. Specifically:

- *Compliance-driven social actions* are those required by law, industry standards, significant stakeholder-interests, or other social institutions.
- *Choice-driven actions*, on the other hand, are those the organization has no obligation to perform, but freely chooses to undertake. For example, Siemens AG choosing to invest in research and support programs to develop sustainable cities is a Choice-Driven social action (Reams, 2012).

A key ethical criterion at the tactical-decision level is the extent to which the action accounts for the welfare of the community it impacts.

- *Community-internalizing actions* support the welfare of the community at least as much as the welfare of the organization. For example, Patagonia provides paid environmental internships to its employees and agrees to bail them out of jail if they get arrested for protesting for a cause they feel deeply about (www.patagonia.com).
- *Community-externalizing actions* are those where the community supports the welfare of the organization at least as much as its own. Take, for example, the over \$66 million in tax subsidies and other financial benefits Goldman Sachs received from both New York City and State to build its world headquarters in lower Manhattan. Rather than use the money for public services such as schools, government officials chose to support Goldman Sachs' construction costs (Solman, 2010). The action is community-externalizing in that the lower-Manhattan community

had no direct input into how their tax money would be spent and will not have the opportunity to benefit from the expenditures until Goldman Sachs' has.

Key Operational Considerations. At the operational level, a key business consideration is the degree to which resources are needed for a particular social action. Managerially speaking, resources include people, equipment, materials, information, and time (Certo and Certo, 2006).¹

- *Social actions which are low-resource consumption* do not require significant amounts of people, equipment, materials, information, and/or time. For example, Cold-Stone Creamery's sponsoring the Adopt-A-Highway program does not require a lot of resources from Cold-Stone as the clean-up activities can be performed by volunteer employees using low-cost materials.
- *Social actions which are considered high-resource consumption* require substantial amounts of people, equipment, materials, information, and/or time. For example, ING's sponsoring the New York City Marathon would be an example of a social action requiring substantial resource outlays, including money, time, people, and information for planning, coordination, and other support activities.

A key ethical criterion at the operational decision-level is how readily the social action's welfare-enhancing contribution can be determined.

- *Actions with clear social contributions have readily measurable outcomes.* For example, Tom's Shoes makes a clear and measurable social contribution by selling shoes. Every time it sells a pair of shoes, a poor person who cannot afford shoes gets a free pair.
- *Actions with unclear social contributions do not have readily discernable outcomes.*

For example, Haagen Dazs has a program to support honeybees. Scientists have noted for years that the honeybee is in decline as a species and Haagen Dazs has graciously made a significant resource commitment to help resolve this problem (www.helpthehoneybees.com). However, it is difficult to determine how well the program they support is working as the honeybee population continues to decline (Michels, 2011).

Social action is a useful mechanism because it can be applied to any organizational form and allows for comparisons both over time and across organizations.

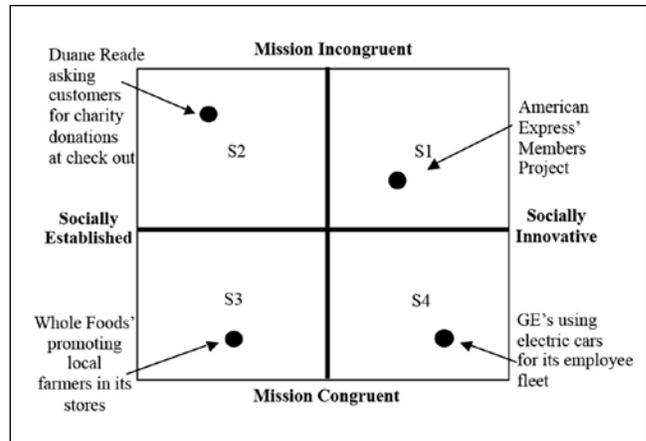
The Social Action Framework Explained

Displayed as a series of matrices (See Figure 4), the SAF represents the interplay of ethical and business considerations relevant for adapting to a more socially conscious marketplace. By juxtaposing the core business and ethical issues relevant to selecting social actions, a richer consideration of actions can occur. In specific, actions can be portrayed along continua with respect to how they rate regarding the factors included in the SAF. Moreover, by linking these considerations in a logical progression, it becomes possible to develop and manage a comprehensive approach to social-action efforts. However, before demonstrating the comprehensive power of the SAF, a discussion of each of the framework's matrices is provided with a variety of organizational examples.

A Strategic View of Social Action

An organization's strategy represents its long-term game plan for developing a competitive advantage in the marketplace (Pearce and Robinson, 2009). The diagram in Figure 1 depicts the key decision criteria that are most relevant for considering social action at a strategic level: Mission Congruence and Social Legitimacy. Portrayed along continua and juxtaposed so that these strategic

Figure 1 Balancing Strategic Duality



business and ethical criteria can be considered simultaneously, four quadrants emerge. Each has distinct characteristics regarding social actions and a brief discussion of each follows.

In Quadrant S1 of Figure 1, actions are mission incongruent but socially innovative. An example would be American Express lending financial, marketing, and management support to fledgling social enterprises through its *Members Project*. This action is not entirely mission congruent in that American Express' strategy, historically, has been to charge slightly higher rates and fees in return for enhanced services and a sense of status only available to the most elite and financially successful. Catering to fledgling social enterprises somewhat contradicts this elite-status image. The action is socially innovative in that American Express has potentially found a way to gain from the social enterprise movement. However, if more fledgling social enterprises fail than grow and flourish, American Express may take a strategic loss.

In Quadrant S2 actions are socially established but mission incongruent. For example, Duane Reade, a full-service pharmacy in the New York Metropolitan area, has its check-out staff regularly request charitable donations from customers as they pay for purchases. While seeking charitable donations is a socially legitimate practice, making a request for

donations as customers pay for purchases is not mission-congruent for Duane Reade. In fact, this action introduces the potential for awkwardness, confusion, and/or conflict as the customer finalizes his or her transaction with the pharmacy. By considering both the ethical and business aspects of the action from a strategic viewpoint, Duane Reade is in a better position to decide the effectiveness of this action.

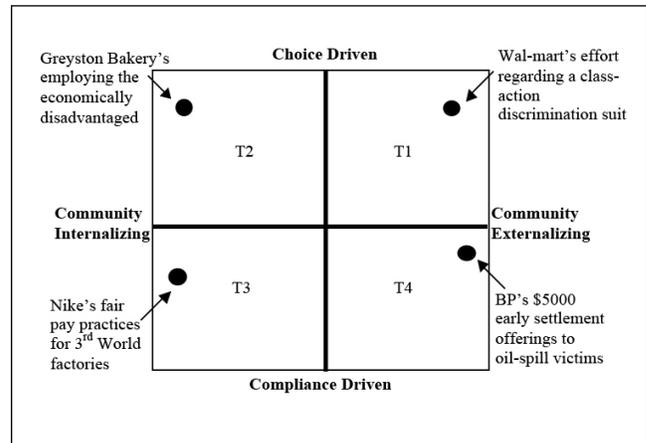
In Quadrant S3, social actions are considered mission congruent and socially established. Whole Foods promoting local farmers' produce in its stores is a good example of an action in this quadrant. Here, Whole Foods' mission is supported in that it acquires high-quality, fresh produce. The action is socially legitimate because local farmers, rather than the Agra-industrial complex, gain notoriety and prosperity (Solman, 2008).

Actions in Quadrant S4 are mission congruent and socially innovative. GE's using electric cars for its employee fleet is a good example of an action in this quadrant (Smith, 2010). Because GE wishes to be a significant provider of charging stations for the electric car market, having its employees drive electric cars on a regular basis is a novel way to gain the experience needed to secure a competitive advantage. It actually makes it easier for GE to plan its strategy for achieving leadership in the charging station market.

A Tactical View of Social Action

Tactical decisions entail developing initiatives to ensure that an organization's strategy is achieved (Certo and Certo, 2006). Figure 2 depicts the duality of business and ethical factors tactically relevant for planning an organization's social actions: Compliance Obligation and Community Welfare. Compliance Obligation is portrayed as a continuum ranging from Choice Driven to Compliance Driven, and Community Welfare is shown as a continuum ranging from

Figure 2 Balancing Tactical Duality



Community Internalizing to Community Externalizing. By combining these factors in a way that allows them to be considered simultaneously, four quadrants emerge. A brief discussion of each follows.

Quadrant T1 represents actions which are chosen by the organization but are also community-externalizing, meaning the organization chose an action considering community impacts primarily from the viewpoint of the organization's benefit. Wal-Mart's legal resistance to 1.5 million of its female employees claiming discrimination is an example of an action qualifying for this quadrant. Rather than tactically address the nature of the claims against it, Wal-Mart chose to challenge the structure of the claims. In specific, it argued that allowing class-action status to the 1.5 million claims against it was unfair. The U.S. Supreme Court agreed with Wal-Mart, ending class-action status for case (Fisher, 2011). However, many of the hundreds of thousands of women are continuing to pursue their grievances in new law suits, adding to the already over-burdened community-based U.S. court system (Levine, 2012; Wolf, 2011).

In Quadrant T2 social actions are choice-driven and community internalizing, meaning that the organization selected the action freely and considered the community impacts from the viewpoint of the community. Greyston Bakery's

hiring practices are a good example of a social action in this sector. From the beginning, founder Bernard Glassman chose to build the bakery by employing those traditionally considered too risky to hire, such as ex-convicts and the homeless (Reeve, 2012). Not only do the less fortunate benefit greatly from this choice but everyone in the community of Yonkers has gained from the support and training efforts provided by Greyston Bakery.

Actions contained in Quadrant T3 are driven by compliance but are community-internalizing. The organization is being required to behave in a certain way and is considering the welfare of the community at least as much as its own in doing so. Nike's actions toward fair-labor practices would be a good example for this quadrant. Nike, a sports apparel company, has a variety of labor standards it is expected to meet. On several occasions it has been found out-of-compliance with those standards and received negative press among other penalties as a consequence. In response, it has developed an extensive, comprehensive program to help its hundreds of suppliers treat employees fairly. Moreover, it has instituted community-involvement methods for ensuring that these standards are met (Lynch, 2009; Dess, Lumpkin and Eisner, 2010).

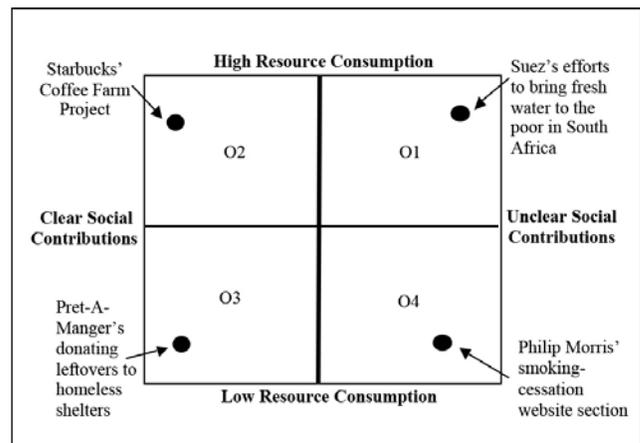
Quadrant T4 represents actions which are compliance-driven and community-externalizing. BP's offering people living along the Gulf of Mexico \$5000 in return for signing not-to-sue agreements for damages it caused with its oil disaster is an example of an action in this quadrant. BP offered a short-term financial break to the community, hoping for a long-term lack of liability. Unless handled very carefully, actions in this quadrant can cause more problems than they solve for an organization. Ultimately, BP not only created additional community ill-will by this action but it also had to stop and publically apologize for it (Mulkern, 2010).

An Operational View of Social Action

Decisions at an operational level determine how a social action gets accomplished (Certo and Certo, 2006). The diagram in Figure 3 depicts the juxtaposition of the two critical criteria at this stage of the social action choice process: Resource Use and Outcome Clarity.

- *Resource Use* is represented by a continuum ranging from High Resource Consumption to Low Resource Consumption.
- *Outcome Clarity* is represented by a continuum ranging from Clear Social Contribution to Unclear Social Contribution. By combining these factors in a way that allows simultaneous consideration, four quadrants emerge. A brief discussion of each quadrant follows.

Figure 3 Balancing Operational Duality



In Quadrant O1 the actions use a lot of resources with unclear social contributions. For example, Suez, a French water and sanitation multinational corporation, joined forces with the South African government to provide clean fresh water to some of the poorest residents in three East Cape towns. It expended vast resources to develop water provisioning systems; then, found that the majority of townspeople for which the water was intended could not pay their water bills. After violence broke out, and the townships sought relief in the High Courts, Suez was forced to vacate the townships. Here, Suez lost business; and the

poor communities, for the most part, never got access to fresh water (“South Africa: Metered”, 2003; Salina, 2008).

The SAF emphasizes the duality of key business and ethical concerns driving decisions regarding social action within organizations.

Quadrant O2 represents actions which have high resource consumption but clear social contributions. For example, Starbucks has a program for supporting coffee growers in South America. It has invested significant resources over the years to ensure that the coffee growers are properly trained and properly paid for the coffee they provide Starbucks. The outcome has been an increase in the quality of the coffee and an increase in living standards for coffee growers associated with Starbucks.

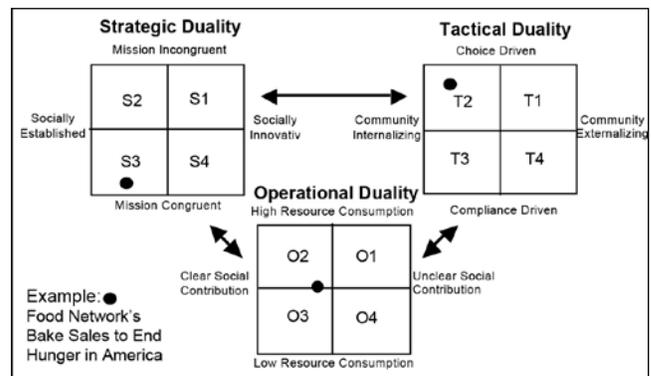
Quadrant O3 contains actions which have clear social contributions and consume few resources. For example, Pret-A-Manger, a company which stakes its reputation on freshly-made food, donates its daily leftovers to homeless shelters. This action consumes few additional resources as Pret-A-Manger would otherwise be throwing the food out. It also has a clear contribution in that homeless shelters are getting a regular supply of healthy free food.

Actions in Quadrant O4 consume few resources but have unclear social contributions. For example, Philip Morris has a section of its website dedicated to providing information on smoking cessation. The resources required to support this section are not extensive. And, while it might be helpful to read about techniques and support services for stopping cigarette smoking, it is not certain that reading this website section will break a user’s cigarette habit. It is even less probable that people trying to quit smoking will be likely to visit the website of a cigarette manufacturer to get help on how to stop purchasing that company’s product.

The Framework in Action

In addition to allowing a variety of actions to be considered at a strategic, tactical and operational level, the Social Action Framework can also be used to compare the same action at each decision stage. The diagram in Figure 4 depicts, for example, a social action analysis of Food Network’s encouraging viewers to have bake sales to end hunger in America. The Network runs ads and provides ideas for ways to generate money that is then donated to the charity Share Our Strength. Strategically, the action is highly *mission-congruent* in that Food Network’s purpose is to inform, educate and entertain viewers about food. It is also *socially established* as bake sales are a very common way for charity organizations to generate revenue. As a result, these qualities are represented by the dot placed in the lower section of quadrant S3 of the Strategic Duality Matrix.

Figure 4 The Social Action Framework



On the tactical level, the action of encouraging bake sales to end hunger is choice-driven in that Food Network does not need to take on charity work. The action is also very *community internalizing* in that it encourages viewers to participate in baking and interacting with neighbors and friends in ways that will benefit the greater good. For these reasons the dot representing this action is placed in the upper right quadrant of the Tactical Duality Matrix.

Operationally, the action *uses moderate amounts* Food Network’s resources. In specific, a variety of celebrity chefs use their shows to offer bake-sale recipes and the ads for the effort run fairly frequently. However, *its social contribution* is not entirely clear. It is doubtful that having bake sales in a variety of communities is going to end hunger in America, although the action does raise awareness and offer people a way to try to help. To reflect these conditions, the action-dot is placed close to the middle of both the Social Contribution and Resource Consumption continua of the Operational Duality Matrix.

The SAF can also be used to compare different actions at one level or across different decision-levels. Actions can be measured and tracked over time to determine if conditions are changing. And action comparisons can be made within and across organizations. Overall, the SAF has the potential to be a very versatile tool for planning and managing social action within organizations.

a key business criterion for considering whether to pursue a social action is how congruent that action is with the organization’s mission

Toward a Definition of Social Enterprise

For the concept of social enterprise to strengthen its position in the marketplace, clear distinctions between it and traditional approaches to social welfare enhancement need to be established. The criteria upon which the SAF is built have the capacity to distinguish between social enterprise, CSR (Corporate Social Responsibility), and not-for-profit organizational approaches. Because each approach varies in its intentions, expectations, and implications for social action, the emphasis each places on the ethical and business criteria of the SAF differs. In essence, social action plays a different role for each approach. And this role variance can be used to distinguish

between organizational approaches. Table 2 depicts these distinctions and a discussion regarding each follows.

Table 2
Key Differences in Organizational Approaches to Social Action

Organizational Approach/ SAF Criteria Requirements	Social Enterprise	Corporate Social Responsibility	Not-for-profit Charity
Strategic			
Social legitimacy	✓	✓	✓
Mission congruence	✓		✓
Tactical			
Always Community internalizing	✓		✓
Compliance-driven Community internalization		✓	
Operational			
Profits required from resources consumed	✓		
Clear social contributions	✓		

According to the criteria of the SAF, a social enterprise is an organization where the majority of its social actions:

1. Are congruent with the organization’s mission and have some degree of social legitimacy²;
2. Are community internalizing regardless of whether they are required or chosen;
3. Make clear social contributions while producing financial contributions (i.e. profits) that exceed their resource consumption.

This definition focuses attention on the factors most relevant for effectively operating a social enterprise.

- Condition 1 establishes that for an organization to be considered a social enterprise, the majority of its social actions must be in accordance with its mission; and be socially valid, whether they are time-honored or novel in nature.
- Condition 2 highlights the criticality of a social enterprises' community perspective. For an organization to be a social enterprise, it must always use decision processes that consider the community's welfare at least as much as the organization's.
- Condition 3 emphasizes the delicate balance needed between accountability and sustainability. In order to remain a viable social enterprise, an organization needs to show the marketplace how the majority of its social actions produce clear social benefits and generate acceptable investment returns.

Traditional Corporate Social Responsibility actions occur within for-profit organizations and are intended to enhance both the reputation of the organization and the welfare of society (Schuler and Cording, 2006). However, CSR actions are ancillary to a for-profit organization's primary purpose of maximizing shareholder wealth. Hence, according to the criteria of the SAF, the majority of CSR actions:

1. Need some level of social legitimacy but do not have to be in line with the organization's primary mission;
2. Do *not* have to be community internalizing, unless required by compliance obligation;
3. Do *not* need to make clear social contributions or produce financial contributions that exceed their resource consumption.

This definition clearly points out how traditional CSR efforts differ from social enterprise actions. Other than needing some degree of social legitimacy, CSR actions are not bound by the same conditions. First, they do not need to be in line with the organization's

primary mission. For example, Philip Morris' act of supporting a smoking-cessation website is actually in direct contradiction to its primary organizational/ mission.

Socially established actions are “tried and true” ways to make the world a better place.

Second, CSR actions do not need to include community input unless there is a regulation or mandate requiring the organization to do so. It is perfectly acceptable for management to consider the organization's welfare at least as much as the community's when selecting CSR actions.

Third, CSR actions do not need to generate profits. Profit is expected to come from actions directly linked to the organization's primary mission. For example, profit from Philip Morris' cigarette sales is not expected to come from its smoking-cessation website. Furthermore, it is not necessary for a CSR action to have a clear social contribution as long as it has the potential for a perceivably positive effect. The fundamental issue for CSR actions is that they not significantly detract from maximizing shareholder wealth (Friedman, 1970).

Based on the business and ethical criteria of the SAF, a not-for-profit organization is one where the majority of its social actions:

1. Are congruent with the organization's mission and have some degree of social legitimacy;
2. Are community internalizing regardless of whether they are required or chosen;
3. Do *not* need to make clear social contributions, or produce financial contributions that exceed their resource consumption.

This definition highlights how similar and how different not-for-profits are from social enterprises. For all intents and purposes not-

for-profits and social enterprises are the same regarding Conditions 1 and 2. Their differences become apparent in Condition 3. First, they differ on how clear the social contributions of their actions need to be. Not-for-profits face less pressure to have their actions make clear social contributions. While they do have to clearly state the intentions of their social actions, and clearly demonstrate efforts aimed at achieving those intentions, they do not have to consistently succeed. As long as they can show progress, hard work, and dedication, they are likely to continue to be funded. Basically, donors and oversight agencies decide their effectiveness, not customers. Social enterprises, on the other hand, need customers to survive. They have to effectively manage competition from both the marketplace and philanthropic enterprises to receive their funding. Hence, they face more pressures to directly link their actions to specific social enhancements.

Second, they differ regarding their emphasis on resource consumption. For social enterprises to pay dividends and attract investors, they must consistently produce financial contributions which exceed the resources they consume. Not only are not-for-profits not allowed to offer dividends but they also face restrictions on the extent to which they can use sales to generate revenue. Moreover, they face tax burdens if an action's surplus is not directly mission related (Lynch and Walls, 2009). Consequently, not-for-profits have less pressure to consistently generate surpluses.

While these action-based definitions highlight key differences in how each organizational approach uses social action, they also help pinpoint potential problem areas for approaches. For example, if a significant stakeholder group, such as loyal customers, demands that a corporation become more socially responsible, the organization is likely to do so. However, the organization is free to determine how it wants to respond since its social actions do not always have to be

community internalizing. So, if the organization chooses a social action different from the one the stakeholder group was expecting, that group may ultimately feel more alienated than appeased (e.g. BP's \$5000 immediate-aid offerings). Moreover, since CSR actions do not have to be mission congruent, the chosen social action may seem out-of-step to many in the marketplace (e.g. PepsiCo's Refresh Project). And, because CSR actions do not have to make clear social contributions, the success of a chosen action may be hard to determine (e.g. Haagen Dazs' Honeybee Project). Interestingly, social enterprises are less likely to face these potential difficulties as their social actions must be mission congruent, community internalizing, and have clear social contributions.

Conclusion

Conceptually, social enterprise represents a distinctly different approach to social welfare enhancement. By combining the motivating aspects of capitalism with our increasing need for social and environmental improvements, it has the potential to make a tremendously positive impact. However, integrating crucial aspects of ethics and business into effective social action is a complex proposition. Traditional organizational approaches have struggled with this dichotomy for a very long time. It is still an open question whether any or all of these approaches can mobilize rapidly enough to stem the rising tide of our social ills. Improved planning and analysis are needed to ensure social action really does make our futures brighter. To help organizations better understand and manage their social-action selection processes, the paper introduced the SAF (Social Action Framework). It is a conceptual tool able to dualistically consider key strategic, tactical, and operational concerns relevant for integrating ethics and business into social action. By using numerous examples to explain how the SAF works, the paper further uses its criteria to define social enterprise and differentiate it from CSR (Corporate Social

Responsibility) and not-for-profit organizations. The SAF allows managers in any organization to improve their social performance.

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McDonald's Corporation creating and supporting the Ronald McDonald House is a good example of a socially-established action.

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Endnotes

¹ In order to make consistent comparisons among and between these different constructs., they are typically translated into a general management concept of "cost" (Krajewski, Ritzman, and Malhotra, 2009).

² An organization may perform functionally useful actions which are not considered socially legitimate. If the action is not considered socially legitimate, then it is not relevant for analysis in the SAF. It is the nature of the action's social legitimacy (i.e. established or innovative) that is considered in the SAF.

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