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Intersecting Transformations

Business and the Third Sector

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The Centre for Social Impact is a unique partnership between the Business School of the University of New South Wales, the Asia Pacific Social Impact Leadership Centre of the Melbourne Business School, Swinburne University of Technology and the University of Western Australia Business School. CSI's mission is to create beneficial social impact in Australia through teaching, research, measurement and the promotion of public debate.

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He speaks, writes and advises regularly on business, society, entrepreneurialism, and future trends for businesses, media and business schools around the world. He has worked with many, leading global businesses including BP, Shell, Microsoft and Diageo. He has also worked with international institutions such as the OECD, the European Union, and the World Bank.

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THE ACADEMIC FUTURE OF SOCIAL IMPACT

Professor Peter Shergold
Centre for Social Impact

I welcome you all to this first international research conference hosted by the Centre for Social Impact. CSI is a partnership between the business schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and the University of Western Australia, all of whom are represented at this forum. Our goal is to create beneficial social impact in Australia through teaching, research, data collection, evaluative measurement and the facilitation of public and intellectual debate on all aspects of the social economy. Internally we look to promote socially responsible business management. Externally we seek to direct academic excellence to social purpose. We are, in short, a Centre for Social Impact not just a Centre for the study of social impact.

I have always thought it a distinctive and engaging trait of Australia that as a nation we often do things well but talk about them poorly. In my previous area, the domain of public administration, this was certainly the case. So, too, I think, it is true with regard to the evolution of the third sector. In Australia, the social economy touches virtually everyone. Most Australians donate to charity or join a community organisation or give their time. Yet very few comprehend the scale or significance of what they do collectively. There are around 600,000 NFPs in Australia. Almost 60,000 are economically significant. All contribute to the creation of social capital. They provide 8% of employment. That does not include wage equivalent of $15 billion worked by 4.6 million volunteers. Nonprofit activity contributes $43 billion to GDP. It is growing at almost 8% each year.

If too few Australians fully appreciate the dimensions of the present, fewer still take a pride in our past. As Mark Lyons reminded me so often, the Australasian colonies of the nineteenth-century were renowned internationally as a hotbed of political and social innovation, with reform driven as much by creative community organisations and civic engagement as by governments and political leadership. If I have a dream it is that Australia can recapture just a little of that pre-eminence, becoming once again a leader rather than a follower. To contribute to such a rebirth is my unwritten and highly personal mission for CSI. I think you will understand why I have resisted setting such ambition in writing.

At CSI, we like to use the term 'social impact' because it encompasses the broad social economy - not only the activities of the not-for-profit sector, but also corporate responsibility and accountability, philanthropic fundraising and social investment, the commitment of unpaid labour to community mission, the regulatory constraint and financial support of governments and the emergence of new forms of social business (which, in truth, owe much to the nineteenth-century ideals of cooperation and mutualism). Social impact, to my mind, embraces a holistic approach to social change in which the public, private and third sectors collaborate to devise iterative solutions to wicked social issues. It is at this tense but creative intersection of the social economy that so much social innovation finds its origin. In a real sense social impact is the apotheosis of the social economy. It is both its hope and its challenge.

It is not surprising, then, that the focus of CSI's learning and research also sits at this intersection of philanthropy, government, business and nonprofit enterprise. It is a shared and contested space that has, in recent years, provided a widening array of cross-sectoral partnerships taking new organisational forms.

These prefatory remarks frame the purposes of this conference. CSI is keen to seek assistance in exploring the implications and the possibilities inherent in the intersection of two transformative movements. One, in the business sector, is represented by corporate social and environmental responsibility, community engagement, ethical practice and the growth of socially responsible investment. The other, in the third sector, is represented by the embrace of business models and commercial practices in not-for-profit organisations, the championing of social entrepreneurship and new forms of social venture, and by the reconfiguring of charitable giving as philanthro-capitalism or (a far better characterisation) as social investment.

These converging approaches have developed concurrently with a growing recognition of the need for the institutions of community development to be financially sustainable. They are driven by a clear understanding that old funding models too often prove unstable (especially in times of economic downturn) and that financial dependence on governments, philanthropic foundations and companies almost always imposes conditions which serve to direct or constrain the pursuit of social mission. The traditional sectoral demarcations have given way to a spectrum of organisational forms and the emergence of new hybrids which blend financial and social returns.

I sense that there has never been a better time to focus on social impact than now, with the accelerating application of information technologies and social media to community discourse (on the one hand) neatly counterpointing the declining levels of political trust and traditional forms of civic engagement (on the other). In developed democracies this balance of hopes and fears is reflected in the business sector recognising the need to argue its licence to operate. The 'corporate citizen' is expected not only to act within the law but to exhibit socially responsible activity and – driven by the emergence of the ethical consumer movement and increasingly influential NGOs – to report upon sustainable and accountable corporate behaviour along the entire global supply chain. At the political level, governments have had to look beyond the universality of the welfare state and embrace policies of social inclusion for those groups which remain marginalised and disengaged. As a consequence, the corporate and third sectors are creating new forms of collaborative engagement and investment in community mission, and public services are increasingly contracting out the delivery of government services to not-for-profits and social enterprises. The rather tired management-speak of 'purchaser-provider' demarcation is now being transformed into emerging forms of business-community partnership and networked governance. The reputational advantage offered to business, and the cost-effectiveness provided to governments, are driving both sectors to engineer new forms of joint venture with the community. A more dynamic social economy is emerging.

That's the good news. The bad news is that the forces driving beneficial social impact face a number of obstacles. Not only individual organisations, but the systems in which they operate, will need to be transformed if they are to create a more inclusive and participatory society with a more engaged citizenry.

Australian businesses have faced increasing pressure to justify their investment in socially responsible activities. Whilst embracing the mantra that "doing good is good for business" they have struggled to articulate strategic intent and purpose. They have been less than successful in convincing their shareholders of the long-term value of their corporate responsibility and community investment programs. How much value does reputational advantage really add to the bottom lines? Conversely, they have found it difficult to persuade an increasingly cynical public that the language of social responsibility is more than the empty rhetoric of corporate communications. To many critics corporate philanthropy, payroll giving and workplace volunteering appear to be an ad-hoc, add-on to business as usual – 'a lunch, a launch and a logo' to mark a new community initiative or a 'greenwashing' of product lines. Both of these tasks have been made more difficult by the paucity of data which would allow effective measuring either of the financial or the social return of an investment in community benefit. Is doing good, truly good for business? Is doing good really a good way of tackling social and environmental dysfunction? The verdict is out, not least because the empirical evidence on which to base conceptual analysis is so fragmentary.

The fact is that in Australia the semantic focus of cross-sectoral partnership – social investment – still remains more words than action, more ambition that evidence. Indeed the key economic difficulty facing Australian not-for-profits is that while many may wish to become social businesses, and are keen to scale their activities, improve performance and achieve long-term financial sustainability, they are too often stymied by the lack of an effective capital market willing to invest in their ambition. As I've already indicated, entrepreneurship is neither rare nor new in Australia's community sector. For many years, numerous not-for-profit enterprises have operated along commercial lines, to a greater or lesser extent. The problem has been that funding to grow their businesses has remained scarce. Government subsidy and philanthropic benevolence, taken together, generally remain inadequate. Community development funds barely exist. There is no social stock market. The reality is that too few individuals and companies fund social investment.

There needs to be greater opportunity to direct the interest of investors so that market forces can be harnessed to community well-being. Microfinance is just one part of the solution. More capital needs to be leveraged into a range of investments that can produce social impact. Charitable foundations and high net worth philanthropists provide funding which can be effectively leveraged but it is unlikely to be sufficient to unlock the entrepreneurial capacity of social businesses. Nor will government funds be adequate although they can play a vital role in facilitating the establishment of a variety of social finance intermediaries. Good government policy has the potential to 'crowd in' private capital. So far in Australia it has failed to do so.

The lack of persuasive evidence on the social impact of community investment, or on the value created by social entrepreneurs or intrapreneurs, bears mute testimony to the weakness of academic engagement. Certainly more and more Australian universities now offer courses in social innovation or social enterprise. In truth, many lack substance. The inability to articulate a comprehensive and coherent field of study, supported by a substantive body of multi-disciplinary research, has been reflected in the low status accorded 'third sector studies' in Australia. A few interesting ideas, wrapped up in the language of social purpose, cannot sustain an academic discipline. Nor can individual commitment and achievement take the place of a coherent methodological framework in which to place multifarious research interests.

There is also a profound data gap that needs to be addressed for social impact research to reach its full potential in Australia. Lack of reliable, regular statistics on such matters as nonprofit enterprise, high-net-worth philanthropy, fundraising, volunteering and community engagement means that researchers often have to look outside Australia for the statistics they need to test theories of organisational governance and behaviour. There is a need for more reliable measures of community well-being and social exclusion especially those which incorporate methods of self-assessment. Most fundamentally, there is a clear requirement for more data that measures social impact at the individual, organisational and systemic level.

In the absence of such fundamental statistics, the theoretical questions that beset the field of social impact are neither likely to be answered satisfactorily nor, far more importantly, to be framed adequately. Conceptual analysis and data collection need to inform each other. Whilst I remain deeply sceptical of political commitment to 'evidence-based policy', I do firmly believe that empirical studies need to underpin the public advocacy of social impact. Australia desperately requires an independent centre, based on university collaboration and driven by end-user requirements, which can take on the role of bringing together social impact data in a structured, coherent and methodologically-defensible manner. It should provide the fundamental building blocks for academic research while providing free and transparent access to the most recent statistical evidence to all who seek to use it.

The value of such a knowledge hub would not – must not – be restricted to universities. The hub – like CSI itself – should face outwards to the intersecting communities of stakeholders whose collective significance it seeks to make manifest. The areas of philosophical enquiry that it would illuminate would become the building blocks of managerial good practice, public policy transformation and corporate responsibility. The data needs to be easily accessed by those who contribute to it – nonprofit organisations and social businesses, philanthropists and social investors, companies and governments. Those who collect and make available the data should not presume to know or control the manner in which it will be used. The revolution in information technology means that the co-production of knowledge has never been easier. We must seize our unprecedented opportunities.

From this knowledge base must emerge a strong foundation of social impact research, and an Australian academic community that is well-equipped to debate and develop knowledge with the same rigour that is seen in other fields of academic enquiry. Crucial to this is the purpose of this conference: the framing and development of a research agenda for the third sector, with hypotheses which can be empirically tested and evaluated. Theory needs to sit upon a foundation of (Australian) evidence.

I hope that all of us – not just our distinguished overseas presenters and Australian commentators – will contribute to the framing and development of a coherent research agenda for the range of intersecting disciplines brought together under the broad umbrella of social impact.

Let us, driven by a strong sense both of intellectual enquiry and of commitment to community well-being and guided by both our heads and our hearts, begin a strategic conversation.

FROM NONPROFITS AND PHILANTHROPY TO SOCIAL INVESTMENT

Professor Helmut K Anheier
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SOCIAL INVESTMENT

WHY SOCIAL INVESTMENT?

Two sets of challenges are behind the attempt to develop a new research agenda on social investment on the basis of what has been achieved in the study of nonprofit organizations and philanthropy. The first set includes the complex and massive economic, demographic and social changes taking place in all advanced countries – trends that are accompanied by major policy changes such as the reappraisal of the role of the state, a push towards privatization of public functions, and calls for greater individual responsibility. What set of frameworks, institutions, organizations and individual actions can take the place of the changing state, and emerge as guardians of, and contributors to, public benefit in societies markedly and increasingly different from those based on the industrial economy?

The second set of challenges is presented by the continued fragmentation of the social sciences into a system that favours disciplinary discourses over interdisciplinary approaches and that frequently seems to discourage problem-focused, policy-oriented work. The classifications of, and divisions among, the social sciences reflect late 19th and early 20th century thinking about society, economy and polity, and imply a stricter demarcation between the roles of the private and the public, and of markets and non-markets than seems to be the case today. Private action for public benefit generally, and private investments that combine pecuniary motives with civic mindedness and philanthropic, even altruistic, objectives does not fit well into the disciplinary map of the social science today.

WHAT IS SOCIAL INVESTMENT?

The concept advanced here is social investment – a tentative label for referring broadly to private actions for public benefit. We also use it in an institutional sense: given the fundamental changes in the social and economic fabric of societies, what kind and range of private institutions will serve the public good in the future? In the past, relatively strict dividing lines saw private investments and activities benefit private needs, and public investments and activities public needs. Welfare state policies, now under greater scrutiny and fiscal pressures, moved beyond this simple distinction and directed public investments for private benefits, be it in social security, education, social services or culture.

That options might not only exist but also harbour significant potentials has only recently become a more salient topic: private action for public benefit, or social investments. The very notion of investment suggests more than charitable or philanthropic activities for serving current needs. It implies a future-oriented, longer-term perspective: why, how, and to what effect can private actors invest in the future of society

The notion of social investment proposed here is therefore broader than the gradual shift from traditional welfare regimes to what some analysts call the 'social investment state,' which seeks to prevent future liabilities by current spending on precarious populations or issues (e.g., child poverty). Social investment is primarily private action, and while it may well include elements of public policy and action, it is the voluntary decision of individuals, groups or organizations to contribute to, and engage with, public benefit that is seen as the focus – which in our opinion represents the true departure point from conventional welfare state policies. Social investment is about new policy models: it seeks to go beyond established patterns of public-private action variously labelled third party government, the third way, subsidiarity or venture philanthropy (see Anheier, 2005).

Two aspects are central if we understand social investments as private contributions to public benefit: first, the statement makes the implicit distinction that these contributions are investments rather than current expenditures intended for consumptive purposes. In this respect, the notion of social investment is identical to what investments are in the conventional economic sense: they are expenditures for the purchase by an investor or the provision by a donor of a financial product or other item of value with an expectation of favorable future returns; or they are expenditures for the purchase by a producer or the provision by a donor of a physical good, service, or resource and with a use value beyond that current fiscal year.

Second, the statement also emphasizes the social aspect of such investments: first, in the sense that such private actions benefit a wider community, however defined, and of which the investor may or may not be a part; and second, in the sense that not only monetary but also contributions in kind count as investments. The latter would include voluntary work (e.g., investing time and knowledge to teach students, transferring skills), civic engagement (investing time, land, materials and skills for developing a community park), even generating social capital (investing time and existing social relations for building advocacy networks or citizen action groups). Thus, the major difference between social and conventional economics is that investments are to yield intended returns beyond those benefitting the investor or donor, and that both investments and expected yields involve more than monetary transactions and transfers as well as pecuniary expectations generally.

In recent years, the term social investment has gained currency over alternatives for several reasons; among them are (see Anheier et al, 2010):

- the desire to have a positive definition rather than a negative one on the range of private institutions, organizations and actions that provide public benefits; despite their wide use and utility, terms like nonprofit or nongovernmental nonetheless suggest what they are not rather than the core of their raison d'être; in the same vein, the term wants to signal its substantive meaning more clearly than technical terms such as third sector;
- the need for a term that includes the individual level (e.g., civic engagement, volunteering, donations), the organization level (nonprofit organizations, voluntary associations, social movements) and the institutional level (philanthropy, charity);
- the need to have a modern umbrella terms for activities which seeks to produce both financial and social value and returns in situations where concepts like charity or philanthropy may be too limiting;
- the need for a neutral term to enhance comparisons across countries and fields, as existing concepts such as tax exempt entities in the US, charity and voluntary sector (United Kingdom), public benefit sector (Germany), social economy (France), or Japanese or Italian conceptions are too closely tied to particular national experiences and circumstances;
- the motivation to link the current research, teaching and policy agenda on nonprofits, philanthropy and civic engagement to mainstream concerns of academia, in particular in the social sciences, legal studies, and management; and, finally,
- the aspiration to shift the debate about public benefit and responsibilities from an emphasis on fiscal expenditures and revenues to social investments, asset creation, societal problem-solving capacity and, ultimately, sustainability. For example, in public policy, educational expenditures are typically classified as current costs or expense in annual budget but not as investments; similarly, allocation for the restoration of the environmentally depredated areas are seen as expenditure rather than investments.

Social investment can be understood in both a narrow and a more comprehensive sense. The narrow understanding corresponds to the immediate provision of capital assets to some social purpose or enterprises. It primarily focuses on an economic understanding of public goods and the efficient application of available resources. The more comprehensive understanding of the term sees social investment less tied to specific types of firms but to a broader range of institutions generally, including individual behaviour. Here, social investment is understood as activities that are autonomous, voluntary, characterized by some form of a distribution constraint of private returns, and intended to produce positive externalities.

THE NONPROFIT RESEARCH AGENDA

How does the social investment agenda compare to the nonprofit agenda that emerged in the 1980´s and came to full fruition a decade later? The agenda reflected the need to understand better why a separate type of organization existed in market economies next to firms and public agencies. In many ways, the new agenda proposed here builds on the older one, and extends as well as expands the explanatory universe addressed.

In a 1990 article in the Annual Review of Sociology, DiMaggio and Anheier suggested a “road map” for nonprofit sector research that remains useful today. It is a simple map, and indeed the agenda proposed has only a few points or areas in it. When we think of the range of research topics that come within the compass of nonprofit organizations, three basic questions come to mind (see Table 1, Appendix):

- Why do nonprofit organizations exist? – which leads to the question of organizational origin and institutional choice;
- How do they behave? – which addresses questions of organizational behavior; and
- What impact do they have and what difference do they make? – which points to the famous “So what?” question.

We can ask these questions at three different levels:

- that of the organization and case, or for a specific set of organizations;
- at the level of the field or industry (education, health, advocacy etc); and
- at the level of the economy and society.

The proposed agenda was organization-based. Wider institutional questions such as philanthropy, civil society and individual aspects such as social capital entered the explanatory concerns of nonprofit theories only later. The proposed agenda, while inter-disciplinary in intent, invited economic models first and foremost, and the majority of available theories of nonprofit organizations are economic in nature, i.e., involve some notion of utility maximization and rational choice behavior.

The last years have been fruitful ones for theories of nonprofit organizations, and a number of answers have been worked out for the “why” questions in Table 1 (Appendix). Next, research concentrated on questions of organizational behavior and impact, although available results and theories remain somewhat less “solid” than in the upper left corners of the table. Theories that seek to answer why nonprofit organizations exist in market economies are the most robust, and they are useful for social investment issues as well (see Anheier, 2005; Powell and and Steinberg, 2007).

A basic tenet of economic theory is that markets best provide pure private goods, and that pure public goods are best provided by the state or public sector. The state has the power to set and enforce taxation and thereby counteracts free-rider problems associated with the supply of public goods through private mechanisms. Markets can handle individual consumer preferences for private goods efficiently, and thereby avoid the high transaction costs associated with the public sector provision of rival, excludable goods. Finally, nonprofit organizations are suited for the provision of quasi-public goods, i.e., where exclusion is possible and significant externalities exist.

By implication, markets, governments, and nonprofit organizations are less suited to supply some other types of goods. Economists refer to such situations as "failures." Specifically:

- Market failure: A situation characterized by a lack of perfect competition, where markets fail to efficiently allocate or provide goods and services. In economic terms, market failure occurs when the behavior of agents, acting to optimize their utility, cannot reach a Pareto optimal allocation. Sources of market failures include: monopoly, externality, and asymmetrical information.
- Government failure: A situation in which a service or social problem cannot be addressed by government. In economic terms, government failure occurs when the behavior of agents, acting to optimize their utility in a market regulated by government, cannot reach a Pareto optimal allocation. Sources of government failure include private information among the agents.
- Voluntary failure: This refers to situations in which nonprofits cannot adequately provide a service or address a social problem at a scale necessary for its alleviation. In economic terms, voluntary failure results from the inability of nonprofits to marshal the resources needed over prolonged periods of time. Since they cannot tax and cannot raise funds on capital markets, nonprofits rely on voluntary contributions that in the end may be insufficient for the task at hand.

While there is general agreement among economists and public policy analysts that markets are to provide private goods, and the public sector public goods, the situation for quasi-public goods is more complex, even though many nonprofits operate to provide such goods and services. The key point is that the area of quasi-public goods allows for multiple solutions: they can be provided by government, by businesses, and, prominently, by nonprofit organizations. For example, health care and social services can be offered in a for-profit clinic, a hospital owned and run by a city or local county, or by a nonprofit organization, such as a nonprofit hospital.

Indeed, one of the key issues of nonprofit theory is to specify the supply and demand conditions that lead to the nonprofit form as the institutional choice, as opposed to a public agency or a business firm. Even though economic reasoning presents a very useful classification of goods and services, it also becomes clear that, to some extent, the dividing line between quasi-public and private goods is ultimately political, in particular when it comes to the treatment of quasi-public goods. In this sense, economic theories imply important policy issues: depending on whether we treat education, health, culture or the environment as a private, quasi-public or public good, some institutional choices will become more likely than others.

For example, if we treat higher education more as a public good, we assume that its positive externalities benefit society as a whole, and by implication, we are likely to opt for policies that try to make it near universal and funded through taxation. If, however, we see higher education as primarily a private good where most of the benefit incurs to the individual, with very limited externalities, then we would favor private universities financed by tuition and other charges, and not through taxation.

Many of the policy changes affecting nonprofit organizations are linked to political changes in how goods and services are defined, and how policies set guidelines on excludability and rivalry of quasi-public goods, be it in welfare reform, education, or arts funding. As we will see, the question of whether an investment is private, social or public is closely related to these issues. In other words, at the point where we go beyond the more narrowly defined issues of economic theory and venture into aspects of the social and the political, we also require a new map or agenda. However, before we look at this new agenda, let´s take a brief look at philanthropy, the second precursor field to social investment in terms of research.

THE ROLE OF PHILANTHROPY

Research interest in philanthropy is a subset of the nonprofit agenda but assumed a somewhat different path. Whereas the nonprofit agenda above was essentially within economics, the one on philanthropy was more in the realm of history and the law first, and in policy analysis later. While a less well-charted agenda overall, analysts nonetheless sought to specify the various roles associated with philanthropy, typically in a US (see Hammack and Anheier, 2010) or European context (see Anheier and Daly, 2006):

- Complementarity, whereby foundations serve otherwise under-supplied groups under conditions of demand heterogeneity and public budget constraints.
- Substitution, whereby foundations take on financial functions otherwise or previously supplied by the state, particularly local government. In this role, foundations substitute for state action, and foundations become funders of public and quasi-public good provision.
- Innovation and the promotion of innovation in social perceptions, values, relationships and ways of doing things has long been a role ascribed to foundations. Innovation can yield both positive and negative outcomes and externalities. Some innovations are not only controversial but become generally accepted as unfortunate or worse, while other yield sustained and positive change.
- Social and Policy Change, whereby foundations promote structural change, give voice, fostering recognition of new needs, and seeking empowerment for the socially excluded.
- Preservation of Traditions and Cultures, whereby foundations preserve past lessons and achievements that are likely to be ‘swept away’ by larger social, cultural and economic forces, or forgotten.
- Redistribution, whereby foundations engage in, and promote, voluntary redistribution of primarily economic resources from higher to lower income groups.
- Asset Protection, whereby a foundation keeps funds for use by other institutions that cannot protect or manage their own assets due to political factors, a perceived lack of financial capability, or some other reason.

In the United States, the political theory that most clearly defines a place for foundations and other nonprofit organizations is pluralism. The U.S. nonprofit sector came with the separation of church and state and with the nineteenth-century development of autonomous corporations. Although foundations are not large enough to replace government funding or to redistribute wealth in a significant way, they sometimes do seek to act in these ways, and may possibly have some impact in local communities and in fields with severe public budget problems (e.g., substitution in the field of arts and culture.)

The signature characteristic of the modern foundation, i.e., its relative independence both from market considerations (no shareholder control) and from election politics (no popular electoral control), means that it is potentially among the most autonomous institutions of contemporary societies. Thus foundations may have several major comparative advantages over other institutions:

- Foundations can identify and respond to needs or problems that for whatever reason are beyond the reach or interest of other actors (market firms, government agencies, or other nonprofit organizations). Foundations can strategically intervene and provide support that would otherwise not be available at the right time, in the amount needed, and with the conditions granted. In this respect, foundations can act as social entrepreneurs in their own right.
- Foundations can identify existing or potential coalitions of individuals and organizations capable of implementing a program or course of action across sectors, regions, and borders; foundations can act as institution builders. Foundations can assume the role of “honest broker” among parties, offering financial resources as well as knowledge and insights.
- Foundations can take risks where there is great uncertainty about likely results and no expectation of pecuniary returns on an investment; foundations that have sufficient resources can become risk-absorbers, capable of taking on politically sensitive and unpopular causes. Foundations can also protect assets devoted to minority interests.

Thus, one could hypothesize that foundations are more important – and achieve greater impact – the more they act as entrepreneurs, institution-builders, risk-absorbers and mediators. Put differently, foundations may have the greatest impact when they can bring together new coalitions able to meet unmet needs. Acting as neutral intermediaries (with no direct market and electoral interests) possessing independent assets, effective foundations help mobilize resources for needs that arise due to market and government failure.

Next to the comparative advantages, we will also explore disadvantages. Among those that have been suggested in the literature, we see the following, based on Salamon's work (1995), as most critical:

- Insufficiency (resource inadequacy) suggests that the goodwill and charity of foundations cannot generate resources on a scale that is both adequate enough and reliable enough to cope with the welfare and related problems of modern society. A reason for this insufficiency, aside from the sheer size of the population in need, is the fact that foundations support the provision of quasi-public goods, and are thus subject to the free-rider problem whereby those who benefit from charity have themselves little or no incentive to contribute.
- Particularism refers to the tendency of foundations to focus on particular subgroups or clients while ignoring others. This leads to problems such as addressing only the needs of the "deserving" poor; inefficiency due to duplication of efforts whereby each particular subgroup wants their "own" agency or service; service gaps in the population due to idiosyncrasies; those who control foundation resources may have particular groups they favor.
- Paternalism and lack of democratic control mean that foundations may lack sufficient accountability, and discretion on behalf of donors may lead to activities that benefit issues or needs close to the donor's interest but not necessarily reflective of wider social needs. After all, foundation contributions and giving depend on good will, and do not represent a right or entitlement. Moreover, paternalism can lead to the de-radicalisation of social movements, and the elite-capture of grass-roots efforts.
- Amateurism points to the fact that foundations frequently do not have professionals making decisions and implementing programs, but rely disproportionately on volunteer trustees who may be 'informed dilettantes' with only a cursory knowledge of the issue they seek to address.

A comparative historical perspective is useful here: the evolution of the state and the expansion of the nonprofit sector have had enormous impact on the role of foundations, but these relationships have never been one- way streets. Nor have foundations and nonprofits been passive bystanders; they have pushed as well as mirrored the government's use of a diverse mix of "policy tools" (see Salamon´s tools of government). Whereas government has relied on tax credits, tax deductions, bonds, loans, and vouchers to address public problems, nonprofits engaged in cross-subsidization and income-generation, and foundations have added, and are increasingly adding, to their traditional approach of grant-making by including tools such as predevelopment loans, planning grants, and loans for acquisition, construction, program-related investments, permanent use, and may many forms of collaboration across sectors.

This diversification of 'private policy tools' is also revealed in the growth of new philanthropic forms, including community foundations, donor-advised funds, supporting organizations, donor giving circles, corporate social responsibility, and public-private partnerships. Some foundations have been exploring new ways to leverage their assets, including program related investments (PRIs) or mission-based loans. Foundations, too, have pursued increasing opportunities to form partnerships as a way to leverage funding and impact. Others are shedding prior strategies of short-term funding for projects that they hoped would later be funded by government, choosing instead to invest in longer-term funding relationships.

PHILANTHROPY AND SOCIAL INVESTMENT

Foundations are broadening their repertoires of 'private policy tools' beyond conventional grant-making. Indeed, we see in the emphasis on innovation and policy roles also a search for new forms for operating as philanthropic institutions, be they in partnership with civil society actors or businesses, through program-related investments or by operating their own projects and subsidiary organizations. The organizational form that has dominated American philanthropy for almost a century, i.e., the grant-making foundation, is seeking out ways of operating in different ways, exploring new approaches and seeking new collaborators for greater leverage. Sometimes these developments take place in fields foundations helped shape initially but that have changed significantly through the greater presence of other organizations, in particular nonprofit and for-profit corporations. In other instances, new foundations are exploring new fields such as the intersection of technology, communication and society.

Which roles, forms and tools are likely to evolve and consolidate depends on a range of factors, including the broader political context. With newly emerging models for government towards what political scientists have identified as the active or enabling state on the one hand, and the complex developments of nonprofit sectors in terms of service provision and civic engagement on the other, the future of grant-making foundations could develop in a number of different ways:

The policy/complementarity role set could develop further in the evolving complex 'social markets' of the future, where state agencies, for-profit and nonprofits collaborate and compete as part of public-private partnerships in the finance and provision of quasi-public goods and services. This could be the case in social welfare and health care but also in education. Here, the foundations' role will be to support policy developments and program innovations generally, but also act as niche institutions serving specialized demands.

The policy/innovation role, too, could evolve in a society where the role of the state has changed significantly, where a greater emphasis on self-organization of civil society and forms of civil engagement create a more complex, diverse policy environment. Importantly, such environments offer foundations opportunities to play out their comparative advantages (entrepreneurship, institution building, risk absorption, and mediation). In this sense, foundations contribute to institutional diversity, and, thereby, continue to increase the innovativeness and policy capacity of modern society.

In terms of comparative weaknesses, the policy/complementarity role combination will primarily tax the ability of foundations to command sufficient resources relative to demand intensities to counteract insufficiencies. The policy/innovation role combination will provide a challenge in terms of particularism. As before, both role sets are vulnerable for to amateurism.

Yet irrespective of the achievements of individual foundations, their greatest and lasting contribution has not been in response to a particular problem, issue or need. Rather, foundations have reinforced the notion of self-organization of society; they have helped create a society of endowed private agency with devolved responsibilities for the public good – a private agency not based on association and collective action alone, but supported by independent private wealth dedicated to a common cause.

In terms of an institutional effect, the significant and sustained presence and general acceptance of endowed private agency for public benefit has been the central contribution foundations have made to society (and politics!) as a whole – most significantly so in the United States but also increasingly in Europe. While their roles have changed significantly over the decades, and while foundations are continuing a search for new relevance, the institutional effect thus created is a lasting contribution that has shaped the development of this country in profound ways.

Yet for a century now, the basic organizational form of foundations has remained remarkably stable and changed little. Indeed, foundations are among the most stable institutions of American society. Part of their resilience stems from their very form as independent endowments established in perpetuity, and for purposes set forth in a deed – a legal document that US courts and elsewhere have regarded as nearly 'sacrosanct.' Foundations, once established, are there to stay and typically have 'life expectancies' well above other organizations, even many public agencies.

Could current debates about strategic philanthropy, venture philanthropy, high impact philanthropy etc just be first indications of a profound reorganization of the foundation world – one that could lead to greater diversity in form? Could it be that we are at the beginning of what sociologists call a period of differentiation, i.e., when one organizational form splits into more specialized ones to achieve greater efficiency and effectiveness overall? Could we see the beginnings of a shift away from the conventional model of the endowed, grant-making foundation towards wider, bigger 'tool box' of philanthropic engagement – perhaps towards a perspective that sees philanthropic institutions as part of a broader set of social investment instruments?

TOWARDS A SOCIAL INVESTMENT AGENDA

Social investment can be understood in both a narrow and a more comprehensive sense. The narrow understanding corresponds to the provision and management of capital assets to social enterprises, i.e., businesses such as cooperatives, mutuals and some employee-owned firms that seek to combine social and economic returns. While they are profit-oriented, they either produce significant positive communal externalities or have a communal-distribution requirement written into their articles of incorporation. In some European countries, this notion of social investment is close to cooperative economics and the notions of economie sociale (France, Belgium, and Spain) or Gemeinwirtschaft (Germany, Austria and Switzerland). These approaches, historically linked to the cooperative movement and mutualism, emphasize the behavior and contributions of producers or consumers in market-like situations who engage in collective action to improve their market position, typically in terms of forward and backward integration.

The narrow terms also refers to the activities of grant-making foundations and nonprofit organizations. For example, the Charity Commission in the United Kingdom offers a definition that puts social investments close to financial activities that are focused on, or part of, a particular program carried out by a charity. Accordingly, social investments are described as investments which

> "may generate a financial return, but the charity's main objective in making them is to help its beneficiaries…Social investment is not 'investment' in the conventional sense of a financial investment. Conventional investments involve the acquisition of an asset with the sole aim of financial return which will be applied to the charity's objects. Social investments, by contrast, are made directly in pursuit of the organisation's charitable purposes. Although they can generate some financial return, the primary motivation for making them is not financial but the actual furtherance of the charity's objects."
>
> ***http://www.charity-commission.gov.uk/supportingcharities/casi.asp***

Social investments refer to the changing relation between market-driven investments and social (public benefit) investments. Examples are public benefit contributions based on concessionary reduction of interest rates or return on investment expectations below market rates. Rather than thinking in categories of 'investment' in market situations and 'gifts' in public benefit contexts, this thinking suggests looking into the gradual transformation of the one into the other, as is the case in the fields of micro-finance and micro-insurance. Both started initially as philanthropic endeavors in response to market failures but are now beginning to draw market capital.

Emerson (2002) makes a similar point for grant-making foundations when he writes that their purpose is not simply to engage in grant making, but rather to invest in the creation of social value, i.e., a value other than monetary gains. A philanthropic investment is therefore a grant invested in a nonprofit organization with no expectation of return of principal, but expectation of social return on investment. These investments are typically below market-rate and made on a concessionary basis. He goes on to argue that available foundation assets for supporting this process of social value creation should be part of an overall investment strategy for both core assets and philanthropic investments. In this sense, foundations maximize their social impact if input and output strategies are oriented towards creating social value.

The wide range of financial investment options is available to foundations and nonprofit organizations, and their applicability and potential depends on national tax laws and financial regulations. The Esmee Fairbairn Foundation (2005) suggested a classification scheme for investment options, as shown in Figure 1. It ranges from mainstream investments intended to yield some desired external effects other than shareholder returns, and program-related investments, to grants, with two investment forms, recoverable grants and 'investment plus,' in between:

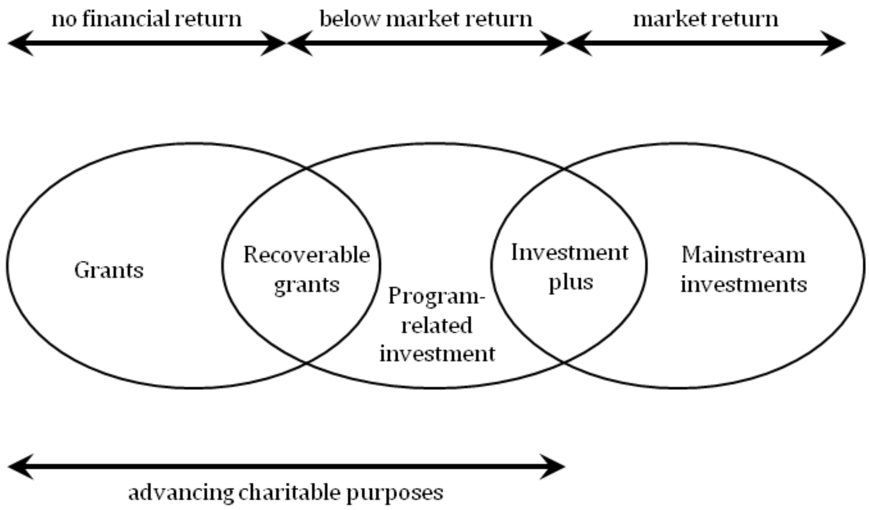
- Recoverable grants involve some financial return to the donor, albeit below market rate; an example would be a grant to a nonprofit housing agency given with the expectation that 20% of the grant would be paid back over time.

'Investment Plus' refers to investments located between program-related and conventional investments. It allows for market-rate returns on investment and advances the charitable purpose of the organization. An example of this kind of financial investment would be capital advanced at market rate to a nonprofit organization managing old growth forests on a sustainable basis and selling harvested wood at market prices. Loans would be repaid from the surplus achieved through the sale of wood.

The key distinction between programme program related investment (PRI) and Investment Plus, according to Bolton (2005), is the motivation for the investment as such: was it primarily made to advance the purposes of the foundation and to generate revenue secondary; or was it made primarily to generate revenue for the foundation, and to support the public benefit purpose second? Based on this thinking, Bolton (2005) has offered the most refined classification and differentiates between:

- Programme Program related investments (PRI). These are investments that can originate either from income (sales, fees, charges, interests earned) or capital (either internal or externally financed), with the primary aim of advancing the foundation's or nonprofit organization's purpose. PRIs are typically below market rates, and vary greatly in interest levels (i.e., how close to market rates or the extent to which concessionary loan elements lower rates), treatment (i.e., length of loan period, possibility of moratoriums, early repay option, ranking of the loan relative to other creditors and lenders etc).
- Socially responsible investment (SRI). These are capital investments made with the primary aim of producing revenue. This sets SRI apart from PRI; and what separates SRI from conventional investments are the positive or negative screens investors use to help select appropriate investment opportunities and vehicles:
    - Negative screening is to avoid socially harmful ways of achieving market or above market returns on investment; for example, a foundation would decide not to invest in corporations that engage in corrupt practices overseas to maintain plants with unsafe working conditions;
    - Positive screening is to identify investment opportunities that support socially beneficial ways of market or above market rates of investment; for example, a foundation can buy stock in corporations that have sound environmental policies or carry out extensive social responsibility programs.

Figure 1: Investment Typology



  - SRI also includes shareholder action to encourage more responsible business practice. In this case, the foundation itself could try to influence corporate board accordingly. Bolton (2005) notes that this form of SRI is sometimes referred to as 'Investment Plus2' or mission related investment.
- Grants as a forms of investment rather than specific programmatic activities include a range of options and instruments: they can build up reserves for nonprofit organizations; they can also serve core funding to help organizations secure additional resources for variable costs; they can ease external borrowing and help reduce interest rates by enhancing the organization's financial rating; they can insure against high risk but potentially high social return ventures; help explore new methods of raising funds and revenue generation etc.

Cooch and Kramer (2007) offer a similar typology and differentiate between conventional investments, based on financial objectives exclusively, and grants, based on charitable objectives, and with program-related investments located in between these two extremes. The latter are grouped into two subtypes: market-rate mission investments and below-market rate mission investments.

In a different contribution, Kramer and Cooch (2006) introduce the term proactive social investments or PSIs. Such investment activities provide direct financing to create or expand enterprises that deliver social or environmental benefits in furtherance of the investor's programmatic goals. "In economically distressed regions, any enterprise that creates jobs, increases income and wealth, or improves the standard of living can be considered socially beneficial. In mature markets, this category is typically limited to new products or services with specific social or environmental benefits, such as workforce development or solar energy installations." (2006: 12).

PSI goes beyond both SRI and PRI in that is essentially a policy-driven approach to supporting social enterprises devised by a diverse group of investors that can include venture philanthropists, foundations, individual donors, local government and conventional investors as well. Kramer and Cooch (2006:16) suggest four PSI categories:

- Private Equity and Venture Capital that can support start-up organizations, either for-profit or nonprofit, through debt or equity investments;
- Loans and Mezzanine Capital that offer loans to nonprofit organizations, loans with or without equity participation to privately held for-profit companies, and (typically) microfinance loans to individuals; mezzanine forms of capital combine external capital without voting rights with own assets;

- Loan guarantees that secure loans or bond issues and lower the cost of capital to be borrowed by either for-profit or nonprofit corporations; they can also increase access to capital markets; and
- Bonds and Deposits, including mortgage-backed securities, community development bond offerings, and (in the US) certificates of deposit at community development financial institutions.

There is an ongoing debate among experts and fund managers as to the degree to which financial value must be generated from the types of investments that fall under PSI. Some argue for a discount to the market in order to allow for greater consideration of social and environmental value, while others favour market rate of returns irrespective of the extent to which social value has been generated.

ISSUES AND CURRENT DEVELOPMENTS

Next to the primarily finance-oriented approaches introduced above is a more comprehensive understanding of the term that sees social investment less tied to specific types of economic firms but to a broader range of institutions generally, including individual behavior. The broader definition of social investment incorporates insights of economic theory (e.g., theories of public goods and market failure), political theory (e.g., theory of governance failure), organizational theory (e.g., organizational behavior of non-market firms), social theory (e.g., social capital approaches), philosophy (e.g., categorical constraint theory), ethics as well as law (e.g., tax law of public benefit contributions) and constitutional law.

Such a broader understanding of social investment allows for the assessment of both recent trends in how institutions contribute to public benefit, and their relationships with the other sectors, in particular the market and public policy. These processes have gained momentum as a result of a reappraisal of the role of the state and of the governance failures of public policy. The state tries to find a new balance between its legal guarantees to its citizens and the actual delivery of the goods, services and relationships implied by them. After a predominantly efficiency-driven 'new public management' period that emphasized cost considerations, longer-term views around effectiveness and quality-of-life issues are emerging and generate a growing debate about investment strategies rather than current expenditures.

This debate also refers to the balance between the basic legal compliance of corporations as profit-making entities and their wider social responsibility to society. Clearly, the concept of corporate social responsibility goes beyond what is required by law – either for reasons of self-interest or as a result of some voluntary choice. In this context, the notions of the 'triple bottom line' and 'blended values' (Emerson, 2004; Emerson et al, 2003) are terms that characterize the debate about economic success and ecological and social considerations.

While positivist legalistic positions might argue that social investment deals with entities that meet the legal criteria for public benefit, as stipulated in the relevant tax codes, the interdisciplinary approach to social investment allows for further developments of regulatory frameworks themselves. Indeed, the notions of public benefit and social investment can be examined independently of given legal forms and systems. Especially in the context of organizational innovation and emergent, often hybrid forms of social investment, a functional definition of social investment seems more appropriate for understanding the interplay of private interests and public benefit than a legal approach as such.

CONTOURS OF A RESEARCH AGENDA

Social investment is an under-researched as well as under-theorized term that has yet to find its place in the conceptual map of the social sciences. Much of the empirical base for examining what social investment is, what it does, how it operates, and what its impacts might be remains sketchy or is missing altogether. Moreover, methodological approaches to the measurement of social investment remain to be developed, as do frameworks for policy analysis.

Against this conceptual background, research on social investment has to address three major areas initially: (a) the increasingly contested nature of public benefit and the shifting claims made on collective responsibilities and services in terms of legitimacy, efficiency, effectiveness, and equity; (b) the range of organizations serving the public good or contributing to public benefit, including hybrid forms, cross-sector partnerships and the role of entrepreneurs; and (c) the legal and policy implications that follow from current developments. Specifically:

New institutions, public benefit, and the role of social investment
- What shifts have occurred in the notions of public benefit, quasi-public and private goods across major fields and political ideologies?
- Why did this happen in some fields or countries and less so in others, and to what effect?
- Does the notion of social investment help to understand current developments?

New institutions and models of social investment
- What institutional forms for public benefit are emerging, and which ones are declining in importance? Why and in what way?
- What cultural aspects and values are associated with emerging and declining institutional forms concerned with public benefit?
- What new institutions and models are emerging at the individual or family level? How do emerging issues and trends relate to notions and practices of civic engagement, citizenship, work, and family?
- What new institutional models are emerging at the organizational level? What changes are occurring in the nonprofit, informal, corporate, and public sectors in that regard, including cross-sector alliances and hybrid forms?
- What new institutions are emerging at the macro level of society? What are the constitution and role of civil society in this respect?
- What new institutions are emerging at the international level? Do we find transnational, even global forms of private institutions concerned with the public good?

Toward new frameworks, practices and understandings
- What ethical guidelines, policies and legal structures are needed for these new institutions?
- What are the implications for governance and management?
- What can be done to facilitate the exchange of information about best practices and experiences across fields and countries?

We suggest exploring these questions in a number of thematic foci, each dedicated to a particular set of issues:

- **Philanthropy as social investment.** In recent years, several proposals have been made to 'modernize' philanthropy, and new philanthropic forms have emerged. How do these relate to social investment, and what could be the contribution of philanthropy in the future? What can philanthropy do to foster social investment?

- **The organizational forms of social investment.** Whereas in the past, nonprofit organizations served as the prime vehicle of private action for public benefit, many innovations have been occurring over the last decade, enriching the repertoire of ways and means of social investment. What are their potentials and limitations?

- **Entrepreneurs and social investment.** This field has become more varied in the kinds of entrepreneurship of interest. Whereas until the 1990s, entrepreneurship was almost exclusively a matter of the business world, there is now increased recognition of social entrepreneurs, cultural entrepreneurs, even political entrepreneurs. What is their role in relation to social investment? Who are the social investment entrepreneurs?

- **Assessing performance and impact of social investment.** What are useful measures of performance that correspond to return on investment indicators used to assess financial portfolios? How can the impact of social investment be measured? There is a full repertoire of measures and methodological approaches to assess the impact and performance of economic investments in market and quasi-market situations – how can they be used for social investment purposes, or would distinct measures and methodologies be needed?

- **Civil society and social investment.** Social investment takes place in the context of the wider civil society and aspects of civic engagement and social self-organization. What is the relationship between civil society and social investment, and what civil society characteristics encourage or discourage private action for public benefit?

- **Policy approaches to social investment.** The changes affecting advanced countries are finding responses at the policy level. To what extent, and how, do they take account of social investment, and do policy frameworks and platforms see a role for private action for public benefit?

- **Legal aspects of social investment.** The far-reaching changes in the notion of the state and what constitutes public benefit are an increasingly central topic of legal thinking as well, in particular in terms of the regulatory framework needed for social investment. Governance, accountability and transparency are central issues here.

The proposed agenda, presented in Table 2 (Appendix), is based on the notion of social investment as an organized activity involving individuals (investors, donors, managers, clients, customers etc) and organizations (businesses, nonprofits, hybrids, projects). Wider questions such as the role of civil society, social capital, and policy can be added for each question and at each level. Such a broader view of social investment also widens the thematic scope and invites a strong interdisciplinary perspective, including public choice theories, theories of firms, clubs, and collective action, social capital approaches, welfare state approaches, institutional analysis, categorical constraint theory, ethics as well as legal thinking.

In other words, there is a rich repertoire of social science approaches that can be brought to bear on examining the potentials and limits of social investment from theoretical, empirical and policy-relevant perspectives. The proposed research agenda and the 'map' presented in Table 2 are meant to help guide and provide focus to efforts aimed at advancing our knowledge about social investment.

CONCLUSION

Current work on social investment is still primarily about finance: the forms social investments can take, the instruments that can be used, by whom and for what purposes. The rapid development of financial products and instruments in recent years, and leading up to the financial crisis of 2008-9, saw parallel activities in the fields of philanthropy and the nonprofit sector, with a hitherto unknown emphasis on forms of capitalization, asset and risk management and types of community investments.

Future work on social investment will most likely test the sustainability of these instruments, and thereby advance the distinction between social investments and conventional financial investments; the types of activities seen as investment rather than some other form of activity; the measurement of investment performance and yield, particularly around measure of return of social investment; and the role of the investors and the types of investor coalitions themselves.

Yet one task ahead seems clear: research on social investment has to become more institution focused generally, and less preoccupied with matters of finance. While the latter is important, of course, institutional context matters, too. Mapping and investigating this context – conceptually as well as empirically - is a prime purpose of the research agenda proposed here.

Table 1: Basic Third Sector Research Questions

LEVEL OF ANALYSIS AND FOCUS

Basic question	Organization	Field/Industry	Economy/Country
Why?	Why is this organization nonprofit rather than for-profit or government? *Organizational choice*	Why do we find specific compositions of nonprofit, for-profit and government firms in fields/industries? *Field-specific division of labor*	Why do we find variations in the size and structure of the nonprofit sector cross-nationally? *Sectoral division of labor*
How?	How does this organization operate? How does it compare with other equivalent organizations? *Organizational efficiency etc; management issues*	How do nonprofit organizations behave relative to other forms in the same field or industry? *Comparative industry efficiency and related issues*	How does the nonprofit sector operate and what role does it play relative to other sectors? *Comparative sector roles*
So What?	What is the contribution of this organization relative to other forms? *Distinct characteristics and impact of focal organization*	What is the relative contribution of nonprofit organizations in this field relative to other forms? *Different contributions of forms in specific industries*	What does the nonprofit sector contribute relative to other sectors? *Sector-specific contributions and impacts cross-nationally*

Table 2: Basic Research Questions - Social Investment

LEVEL OF ANALYSIS AND FOCUS

Basic question	Individual/Organization	Field/Industry	Economy/Country
Why?	Why is this investment social rather than a for-profit or public investment? *Choice*	Why do we find specific compositions of social, for-profit and public investments in fields/industries? *Field-specific patterns, division of labor*	Why do we find variations in the size, form and structure of social investments cross-nationally? *Sectoral patterns, division of labor*
How?	How does this investment perform? How does it compare to other equivalent investments? *Performance*	How do social investments perform relative to other types and forms in the same field or industry? *Comparative field performance*	How do social investments perform in the economy cross-nationally? *Comparative performance roles*
So What?	What is the contribution of social investment relative to other forms? *Distinct characteristics and impact*	What is the relative contribution of social investment in this field relative to other forms? *Different impacts in specific fields*	What does social investment contribute relative to other forms? *Contributions and impacts cross-nationally*

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THE ROLE OF GOVERNMENTS, FIRMS, AND THE THIRD SECTOR IN ADDRESSING THE GLOBAL ECONOMIC GOVERNANCE DEFICIT

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THE GLOBAL GOVERNANCE GAP

Recent decades have witnessed an unprecedented expansion of global business activity. Transnational corporations have played a particularly critical role in this development: their economic role has expanded at a faster pace than total world economic output. During the 1990s, the amount of foreign direct investment increased nearly four times, growing from $1.7 trillion in 1991 to $6.6 trillion in 2001. There are currently approximately 63,000 transnational corporations with about 800,000 foreign affiliates and they collectively employ more than 50 million people. A major share of world trade – approximately 40 percent in the case of the United States – now takes place within firms (Ruggie, 2004). Moreover, these statistics do not take into consideration the even larger growth of global non-equity business relationships: literally millions of suppliers, contractors and subcontractors in developing countries actually produce many of the products marketed by global firms.

On balance, the increase in global investment and trade during the last quarter-century has had a positive economic and social impact. For example, it has measurably improved the living standards of tens of millions of individuals in countries such as China and India who, without the expansion of global markets, would have remained among the world's poorest citizens. Global life expectancy is now double what it was one hundred years ago. Yet at the same time, the growth of global markets and firms has also exacerbated or failed to ameliorate a wide range of social and environmental problems. It has led to a wide range of unsustainable environmental practices in areas from forestry to fisheries, widespread human rights abuses, and often labor exploitation. As Bill Gates put it in his January 2008 speech in which he outlined his vision of "creative capitalism "at the World Economic Forum in Davos:

> The great advances in the world have often aggravated the inequalities in the world. The least needy see the most improvement, and the most needy see the least – in particular the billions of people who live on less than a dollar a day. There are roughly a billion people in the world who don't get enough food, who don't have clean drinking water, who don't have electricity…Diseases like malaria …kill over a million people a year…Climate change will have the biggest effect on people who have done the least to cause it.

(Gates, 2008)

While the shortcomings of global capitalism cited by Gates and others have many causes, among them is the extent to which economic globalization has created a governance deficit or a structural imbalance between the size and power of global firms and markets, and the capacity and/or willingness of governments to adequately regulate them. Transnational corporations are said to "wield power without responsibility. They are often as powerful as states and yet less accountable" (Newell, 2000). Another critic observes: "Corporations have never been more powerful, yet less regulated" (Vidal, in Newell, 2000). This lack of global business accountability is not primarily due to a reduction in the role or importance of states. The state is not "in retreat:" governments are becoming neither smaller nor weaker: they remain the most important sources of power in the global economy. Their share of national GDP and their ability to regulate business activities within their borders has not diminished.

It is rather that their ability and/or willingness to regulate global firms and markets has not proportionately increased as a response to the expansion of economic globalization. "Internationalization [has created] an increasing gap between territorially bound regulatory competences at the national level and emerging problems of international scope" (Knill and Lehmkuhl, 2002). As Robert Keohane has put it, "Globalization means that it is more difficult to hold corporations accountable than in the past" (Keohane, 2003). Bertrand Benoit adds: We have fading borders and … it is not longer possible for individual states to dictate the rules of the economic game" (Bertrand, 2007).

Much of the political pressure to strengthen the regulation of global firms and markets has been centered in developed countries, most notably the United States, Canada, Western Europe, and Australia. These are the countries where most of the natural resources and industrial products exported from developing countries are consumed, where most of the world's transnational firms are headquartered, and where a disproportionate number of the world's non-governmental or third sector organizations are based. These countries account for a major share of the world's GDP, and also have well-developed regulatory capacities. Logically, one would expect these governments to play an increasingly important role in regulating global business activities.

Some countries, most notably in Europe, have adopted a wide range of various 'soft' law initiatives to improve the conduct of global firms headquartered in their countries, such as convening conferences to promote best practices, requiring firms to disclose their global environmental and social impact, requiring public pension funds to report on how corporate social and environmental practices affect investment decisions and, as discussed below, helping to organize and fund voluntary codes of conduct.[1] Yet their willingness and/or ability to expand the scope of their legal and political controls over international firms and markets has been constrained or limited. One reason is legal: international law generally restricts the ability of countries to regulate foreign owned firms outside their borders (Zerk, 2006). This means that the activities of the developing country owned firms with which transnational firms contract - and in which many of the most prominent abuses associated with globalization take place - are generally outside their legal purview.

Second, international trade law generally restricts the ability of countries to restrict imported products on the basis of how they are produced. This in turn has limited their ability to affect environmental, human rights or labor practices outside their borders by restricting the importation of "irresponsibly" produced goods and agricultural products. Overall, "the rights enjoyed by transnational corporations have increased manifold over the past two decades, as a result of multilateral trade agreements, bilateral investment pacts, and domestic liberalization" (Ruggie, 2007).

Third, the extent of domestic political support for strengthening global business regulation has been relatively weak. Efforts to create legally binding standards for multinational firms have encountered strong and effective business opposition on the grounds that it would hamper their global competiveness. For example, the European Union was forced to retreat from its initial efforts to establish binding codes of conduct on multinational firms due to intense business opposition and instead developed an entirely voluntary standard. A legally enforceable international code of conduct for global firms has also been under discussion in various international forums (Keonig-Archbugi, 2004). During the 1970s, the International Labor Organization, the UN Commission on Transnational Corporations and the OECD all attempted to adopt legally binding codes of global corporate conduct. But none of these efforts were successful. Though the OECD did adopt comprehensive guidelines for multinational corporations, they are non-binding. In 1992, the issue of transnational corporation (TNC) regulation was dropped from the agenda of the United Nations Conference on Environment and Development (UNCED), largely due to the strong opposition of global firms.

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[1] See for example, De Schutter, 2008; *Corporate Responsibility Across Europe*, 2005; *Corporate Social Responsibility in Europe: Rhetoric and Realities*, 2009; Aaronson and Reeves, 2002.

Many of these legal, political, and ideological obstacles could be overcome by effective international treaties, which would equally bind firms regardless of where they are located. But as the recent result of the efforts in Copenhagen to develop a new and strengthened global agreement to address the problem of global climate change illustrate, legally binding international treaties have often been opposed by developing country governments, who typically view them as a threat to their economic development. Thus, due to opposition from developing countries, the Tropical Timber Organization refused the requests of non-government organizations (NGOs) to adopt a forest certification and labeling system in an effort to promote sustainable forestry practices. When former American Secretary of Labor Robert Reich proposed that the International Labor Organization (ILO) develop a system for labeling garments based on the labor conditions under which they were produced, his effort was strongly criticized by representatives from developing countries and thus was not adopted. Equally importantly, developing countries have strongly resisted proposals to alter the rules of the World Trade Organization so as to expand the grounds on which imports could be restricted on environmental or social grounds. They have feared that any broadening of the criteria by which developed countries could legally restrict imports would lead western firms to adopt "eco-protectionist" trade policies that would reduce their access to world markets.

The weakness of international laws and rules regulating global business conduct does not, of course, prevent developing country governments from developing and enforcing their own regulations for the conduct of any firms that produce or extract natural resources within their borders. This is precisely what the governments of developed countries have done over the last century. But due to concern about making their goods and raw materials uncompetitive in global markets and a lack of sufficient administrative capacity to effectively enforce domestic laws, the regulatory role of most developing country governments remains weak. Moreover, many of the countries in which the most widespread human rights, labor and environmental abuses take place are failed states whose governments lack either the capacity or the willingness to protect the welfare of their citizens and the physical environment in which they live. Finally, many developing country governments restrict or discourage civic institutions, such as independent trade unions or non-government organizations, which could play an important role in making both foreign and domestic firms more politically accountable.

RESPONDING TO THE GLOBAL GOVERNANCE DEFICIT

Nonetheless, there have been a wide range of efforts to respond to the existing shortcomings of global business regulation. These efforts have led to important changes in the roles of both global firms and civic organizations. For their part, many global firms have increasingly come to recognize that they have both the capacity and the obligation to use their resources to minimize the environmental and social harms caused by their international business operations as well as actively improve the welfare of those whom their investments and purchasing practices directly or indirectly impact. Many have agreed to adopt voluntary global codes of conduct and to compensate for the lack of effective governance in many developing countries by assuming quasi-government roles and responsibilities. For their part, the 30,000 non-government organizations (NGOs) which operate international programs - approximately 1,000 of which draw membership from three or more countries - have come to play an increasingly important role in global economic governance (Ruggie, 2004). Many have partnered or worked with business organizations to directly assist in the delivery of various social services, while others have cooperated with firms to develop and govern new private regulatory mechanisms that seek to embed social values into economic globalization.

In essence, the roles of all three institutions have changed: developed country governments have expanded the scope of their cooperation with global firms and NGOs, many global firms have agreed to be governed by private, non-state, regulatory mechanisms, and NGOs have become partners with both firms and governments in order to help compensate for both public policy and market failures. Consequently, the lines between public and private institutions and the profit and nonprofit sectors have become blurred. Global governance is no longer only exclusively provided by governments: a wide range of both profit and nonprofit institutions now provide various public goods and exert significant authority in the global economy. This in turn has created a "new global public domain," which John Ruggie defines as "An institutionalized arena of discourse, contestation, and action organized around the product of public goods. It is constituted by interaction among non-state actors as well as states. It permits the direct expression and pursuit of a variety of human interests, not merely those mediated by states" (Ruggie, 2004). It represents part of a multi-faceted effort to embed a system of social controls within global economic relationships that remain dominated by neo-liberal ideas and institutions. As two scholars note:

In the former age of national capitalism, the achievement of market fairness was embedded in a normative framework generated by government, labor unions, and perhaps religious authority. In the current age of global capitalism, new actors such as NGOs, industry associations and public-private partnerships provide the normative framework (Giovannucci and Ponte, 2005).

MULTI-STAKEHOLDER REGULATORY INITIATIVES

A useful way of beginning to understand these new forms of global governance is by describing a number of relatively recent institutional efforts to improve the conduct of global firms and markets. Each of them involves, either directly or indirectly, some form of cooperation among or between governments, firms and civic institutions. They can be roughly divided into three categories: those focusing on global regulatory and/or market failures associated with human rights and corruption, labor and working conditions, and environmental practices.

Human Rights and Corruption

In December 2000, in response to the increase in violence involving security forces protecting western investments in developing countries, several firms, along with non-government organizations, and the British and American governments, issued a set of "Voluntary Principles on Security and Human Rights." They represented a set of principles and procedures to enable firms in the extractive sector to maintain the security and safety of their business operations, while seeking to reduce the number of well-documented abuses by both private and state security forces. These principles have been endorsed by several important global extractive firms, including Chevron and Texaco (who had signed separately before their merger), Conoco, BP, Shell, Rio Tinto, Freeport McMoRan, Newmont Mining, Occidental Petroleum, and ExxonMobil, as well as two Norwegian based firms, Statoil and Norsk Hydro. This example of business-government cooperation to address a global and national governance failure was subsequently endorsed by the governments of Norway and the Netherlands, home to important extractive industry multinational enterprises.

Another important global multi-stakeholder regulation has sought to address the related problems of corruption and the misuse of revenues by developing country governments. While 3.5 billion people live in countries with rich deposits of oil, gas, and minerals, the development of these resources by international firms has typically produced poverty, corruption and civil conflict rather than economic development. During the late 1980s and early 1990s, a number of international non-government organizations including the Catholic Relief Services, Oxfam International, and Global Witness began to aggressively criticize global extractive industry firms for the negative social impact of their business operations in developing countries.

In response, British Prime Minister Tony Blair announced the establishment of the Extractive Industries Transparency Initiative (EITI). The long-term goal of EITI is to increase the likelihood that royalty payments by foreign investors will be used to promote positive economic and social development. It established a global standard to promote transparency and accountability for both the revenues provided by extractive industry firms and the use of these revenues by host country governments. EITI has issued a set of reporting guidelines, along with six criteria which represent a minimum standard for EITI implementation. This voluntary international regulatory initiative has been actively promoted and financially supported by several developing country governments, including Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States, as well as the government of Qatar. It has also been officially endorsed by the World Bank Group, the United Nations, the G8, the G20 and the European Union.

EITI has been endorsed by 46 of the world's largest oil, gas and mining companies as well as more than 80 global investment institutions that collectively manage more than USD 16 trillion. In addition to governments and global firms, several important civil society organizations participate in its governance at either the national or international levels, including the "Publish What You Pay" Coalition – comprised of 300 worldwide non-government organizations, Oxfam and Transparency International. To date, two developing countries, namely Azerbaijan and Liberia, have been certified as EITI complaint, while thirty other development countries have achieved EITI candidate status. In addition, 17 developing countries have published EITI audited reports and a number of others have signaled their intent to implement EITI's transparency standards.

The Kimberly Process Certification Scheme represents another important new approach to address a global governance failure - in this case, the international sale of "conflict diamonds" by warring factions in developing countries. As in the case of the emergence of virtually all other codes of global business conduct, the original impetus behind this global business regulation was public pressure from NGOs: diamond producers and retailers were accused by activists of contributing to the massive human rights violations stemming from the sale of "blood diamonds" that were financing rebel and warring groups in several developing countries including Sierra Leone, Rwanda, the Democratic Republic of the Congo and Cote d'Ivoire, many of whose activities also created instability in neighboring countries. The United Nations Security Council embargoed trade in diamonds from Angola in 1998 and Sierra Leone in 2000. For its part, in 2002, the United States Congress passed the Clean Diamonds Act, which prohibited the importation of "blood" or "conflict" diamonds from conflict zones.

In 2000, in response to fears that the reputation of their product had become tarnished due to adverse media attention, the South African based global mining firm De Beers, which controlled much of the global diamonds market, as well as several major global diamond retailers, declared that they would not deal in "conflict" diamonds. A joint resolution by an association of international diamond retailers announced that any firm found trading in such diamonds would be expelled from the newly created World Diamond Council (WDC). These efforts, however, failed to satisfy global activists who considered the capacity of these firms to police international trade in diamonds to be inadequate. Accordingly, the WDC announced its support for establishing a tracking system for international trade in rough diamonds in order to prevent the marketing of illicitly produced stones. It specifically proposed a certification system that would track diamonds from production to retail distribution, thus assuring that all traders in polished diamonds knew the origins of their stones. But the WDC also recognized that its ability to effectively regulate the global mining, processing and distribution of diamonds was limited and accordingly requested additional government assistance.

In 2000, the world's major diamond producers and retailers as well as several diamond exporting and importing countries, adopted the Kimberley Process (KP) named after the South African diamond mining town. The KP established a certification system that requires that all countries that trade or produce diamonds issue certificates of origin that guarantee that they do not come from conflict zones. While compliance by diamond exporting countries is not mandatory, each country that has endorsed the KP agreed to on-site monitoring.

What gives this international agreement "teeth" was the ability of the KP to expel countries for non-compliance. This effectively bans non-compliant diamond exports from importing states that have endorsed the KP. Significantly, and unusually, the World Trade Organization granted a waiver to the KP. This effectively allows its forty-one member states, which represent the majority of the world's diamond consumer markets, to selectively ban diamond imports from non-complaint country diamond producers and traders. In essence, "the Kimberly Process entwines a voluntary industry program with a state-based trade control regime (Haufler, 2009).” The KP is widely regarded as “a positive example of active cooperation between governments, non-governmental organizations and the private sector” (Degli Innocenti, 2005).

Labor Standards and Working Conditions

Another important category of new regulatory mechanisms to address a global governance failure involves the development of business codes of conduct to protect the welfare and interests of workers in developing countries - both those employed directly by multinational firms and the much larger category of workers who supply the raw materials and products which are then distributed by global firms, primarily to consumers in developed countries. Great Britain and the United States are “home” to two of the most important such global codes of conduct.

The Ethical Trading Initiative (ETI) was established in 1998 at the initiative of the recently established Department of International Development of the British government, the government department which is responsible for promoting international development. The British government continues to provide funding for the ETI, though it does not formally participate in its governance. Rather, the ETI is governed by an alliance of firms, trade unions and NGOs. More than sixty firms with combined revenues of 170 billion pounds belong to the ETI; they include supermarkets, fashion retailers, department stores, and the major suppliers to British retailers of food, beverages, flowers, clothing, shoes, homewares and other products. Its membership also includes eight international trade unions representing nearly 160 million workers from virtually every country where free trade unions exist, and more than a dozen NGOs. The ETI works with its corporate members to propose, investigate, and promote improvements in working conditions in developing countries for manufactured goods as well as agricultural products. It has developed both a base code of conduct, as well as codes tailored to specific agricultural and industrial sectors. While not formally an accreditation scheme, firms that fail to demonstrate compliance with its standards can be excluded from membership.

A similar policy dynamic took place in the United States. Beginning in the early 1990s, the American Department of Labor began to pressure apparel manufacturers to privately monitor their domestic contractors for wage and hour violations due to the Department’s lack of regulatory capacity to adequately police this industry. During the mid 1990s, faced with media attention on poor working conditions in supplier factories outside the United States, most notably by suppliers to Kathie Lee Gifford and Nike, Labor Secretary Robert Reich convened several meeting of labor rights advocates and apparel executives, first in an informal forum and subsequently in a presidential task force labeled the Apparel Industry Partnership (AIP). Like the British Government, the Clinton Administration decided on a compromise strategy, one which steered a middle ground between stronger domestic or international labor regulation, (whose adoption was not politically feasible due to strong opposition from both American based firms and developing country governments), and taking no action (which would have angered both domestic trade unions and anti-sweatshop non-governmental activists).

Accordingly, the Department of Labor endorsed a set of “model business principles” that encouraged firms to adopt and implement voluntary codes of conduct for their international business operations. The AIP in turn led to the development of a global voluntary code, called the Fair Labor Association (FLA). The FLA is a nonprofit organization which is formally governed by representatives from industry, universities, (who have participated in order to improve labor conditions in factories manufacturing university “logo” products), and non-government organizations.

It also works closely with both NGOs and trade unions in developing countries. The latter play an important role in monitoring and reporting on local factory conditions and in providing training and services to workers. Currently, the FLA has 170 university affiliates, twenty-six participating firms which represent virtually all global brands selling footwear, apparel, and athletic equipment in the United States, and a dozen suppliers, primarily located in Asia. The FLA employs its own independent inspectors who make unannounced visits to the suppliers of participating firms and issues detailed annual reports that describe the results of its external monitoring.

Fair Trade International (FTI) represents another important new voluntary global initiative to address the problems of global economic inequality. In contrast to both the ETI and the FLA, FTI is a non-profit social enterprise which works directly with farmers in developing countries and the distributors of agricultural products in developing ones. It represents a private, voluntary, market-based response to the global market failure caused by the low prices received by many farmers for many of their agricultural product, which are often too low to enable them to recover their production costs – let alone improve their living standards.

FTI was established in 1997 as an international consortium of seventeen national Fair Trade Certification systems located in Europe, North America, and Japan. The FTI works by certifying producers in developed countries who meet various social criteria. Like KP, FTI has established a complex "chain of custody" system that tracks commodities from developing to developed countries. The products produced by certified producers are prominently labeled "Fair Trade," which enables socially minded consumers to "vote" their values in the marketplace. FT labeled products typically command a price premium and FTI then passes on the additional revenues it receives – minus its administrative costs – to certified agricultural producers. FTI guarantees these farmers above world-market prices for their products, thus enabling them to improve their living standards and to invest in community development projects.

Fair Trade is probably the best known social or ethical product label. While the products marketed under the FT label include bananas, chocolate, sugar, flowers, and nuts, the most important Fair Trade labeled product is coffee, a USD 80 billion annual industry and the second most widely internationally traded commodity. FT certified coffee is produced by more than 250 smallholder coffee cooperatives and 700,000 affiliated farmers. Sales of FT certified coffee have been increasing rapidly. Between 1999 and 2006, sales of FT certified coffee tripled in the United States, where it is now carried by more than 35,000 retailers and restaurants, including Starbucks, Procter & Gamble, Wild Oats, Sara Lee and Dunkin' Donuts. Its market share is higher in Western Europe, where it has enjoyed strong support from social democratic, green and labor political parties as well as from several European governments and the EU. Cafedirect, a leading FT brand in which the NGO Oxfam has an equity stake, is the sixth largest coffee retailer in Britain. In 2004 it paid a premium of 2.6 million pounds over the world market price for the coffee it imported. Globally, in 2008, more than 471,000 metric tons of coffee was FT certified. TransFair USA claims that between 1988 and 2008, FT coffee sales generated $143 million USD in additional revenue to farmers and producer organizations, effectively doubling their net revenues (Bacon, 2010).

Environment

Frustrated by the failure of the Rio 1992 Summit to develop an effective international agreement governing forestry practices, a group of NGOs began to develop a private global forestry "treaty." Their efforts were supported by a number of foundations as well as the government of Austria, whose effort to develop a labeling standard for tropical forestry products was withdrawn following complaints from developing countries to the WTO that it was discriminatory. Following several years of negotiations among foresters, scientists, and firms, the Forest Certification Council was established in 1993, and began operations three years later. Arguably the most ambitious example of the "privatization of environmental governance," the FSC is an international private standard-setting body (Cashore, 2002). Its goal is to create a global market for wood harvested in a socially and environmentally sound manner. The FSC has developed standards for forestry management and accredits and monitors organizations that in turn carry out assessments of wood production practices. It then issues certificates to forestry operations that meet its standards that guarantee a chain of custody for wood products from approved forests to those firms or individuals who purchase them. The FSC is governed by representatives from environmental and social groups, timber firms, corporations, and community forestry groups.

As in the case of labor codes that certify producers in developing countries, FSC primarily operates in the business–to-business market. It relies on sales of wood products to retailers and builders, rather than to individual consumers. For western firms, a willingness to give preference to FSC certified products often represents a key component of their public commitment to CSR. In the United States, approximately 400 retailers and builders have agreed to give preference to FSC certified suppliers, many after well-publicized "naming and shaming" campaigns by activists. They include Home Depot and Lowe's Home Centers, respectively the world's second largest home improvement store and the second largest American timber retailer. FSC certified wood accounts for one percent of total American sales of wood and wood products, but five percent of the sales of wood and wood products in much of Western Europe.

Thanks to the efforts of the World Wildlife Fund, firms accounting for one-quarter of British consumption of wood products have agreed to only sell FSC certified wood. IKEA, whose retail distribution catalogue is the largest in the world, only sells FSC certified wood products, while 60 percent of the raw wood used by SCAN, a large Swedish paper company comes from FSC certified forests. Many European governments have either agreed to have their publically owned forests certified or to give preference to FSC certified products when making procurement decisions.

As in the case of FT certified coffee, the number of hectares of FSC certified wood has grown steadily: it increased from 500,000 in 1994 to more than 70 million in 2006, reaching 117 million in 2009. As of 2009, FSC had certified more than 15,000 forests. This represents 5 percent of the world's productive forests and FSC certification currently governs 7 percent of the world's trade in wood. The global value of sales of FSC certified wood and wood products is currently estimated at more than $20 billion USD. However, most FSC certified forests are in developed countries, primarily in Europe.

BUSINESS AND THE THIRD SECTOR

These seven case-studies of new forms of global business governance reveal several ways in which the role of both corporations and NGOs and third sector organizations are changing. Most obviously, both institutions have developed new approaches to help compensate for the global governance gap. Firms are acting more like governments: many have expanded their business missions to help advance various human rights, social and environmental practices. This does not mean that they have become less committed to profit maximization; rather many global firms have come to recognize that it is often in the long-term interests of their shareholders to internalize more of the negative externalities of their business operations, particularly those that directly affect citizens in developing countries.

The substantial increases in the number and size of social and ethical funds, along with the growing number of organizations that "rate" the CSR practices of publically traded firms and the increased scrutiny of corporate conduct by the media and activists, have affected the incentives of senior managers and many employees: they have come to value a positive social and environmental reputation and to recognize the business risks of becoming the target of an activist campaign. Consequently, for many large global firms based in developed countries, corporate social responsibility has become a business norm: such firms typically subscribe to one or more voluntary codes of conduct, have developed their own CSR policies and commitments – often including social and environmental performance standards for suppliers – and issue detailed annual reports on their social and environmental practices and programs. Equally importantly, global firms increasingly regard NGOs as legitimate claimants in defining and implementing their social and environmental commitments in developing countries – as evidenced by their willingness to participate in voluntary codes in whose governance NGOs also participate.

For their part, the global role of NGOs has also changed. A critical factor shaping the expansion of global private governance has been the decision of many third sector organizations to address their reform efforts directly to global firms and business associations. This shift in strategy reflects their frustration with their efforts to persuade governments to expand the scope of effective state regulation at both the national and international levels. Many third sector organizations have also become more willing to cooperate with global firms: partnerships between businesses and third sector organizations in promoting economic and social development in developing countries have become increasingly common.

Equally importantly, as the case-studies of both FSC and FTI illustrate, many NGOs have come to assume economic roles normally played by for-profit firms. Both these organizations have become social entrepreneurs: they have developed what are in effect new kinds of global business models that explicitly integrate social or environmental concerns into their market transactions. Significantly, both primarily rely on revenue generated through the marketplace: the funding of FSC primarily comes from forestry firms seeking certification for the wood they sell, while FTI's revenues come from consumers and retailers willing to pay a premium price for FT certified products. Like firms, their ability to achieve their business objectives is thus dependent on their market competiveness. To accomplish their social and environmental goals, FSC must persuade forestry owners to become certified, while FTI must persuade retailers and consumers to agree to pay a price premium for the FT certified products. Moreover, like firms, both face extensive competition: there are scores of competing forestry certification programs – many developed by forestry associations – and a bewildering variety of "ethical" coffee labels.

A walk down a supermarket coffee aisle presents a terrific diversity of packages including colourful tropical birds, trees, farmer faces, cooperative names, and occasionally geographic indications of origin. Intertwined with these stories and branding strategies are a growing constellation of third -party certifications promising Fair Trade, Organic production, Bird Friendly practices, or Starbuck's C.A.F.E Practices. Each program contains its own unique standards and governance structures (Bacon, 2010).

CONCLUSION

It is obviously difficult to generalize about the overall impact of either the increasing "public" role of corporations or the expanded "market" role of third sector organizations. On one hand, many firms have entered into cooperative relationships with third sector organizations in order to provide public services or improve the infrastructure for their delivery, and these efforts have clearly had a positive social impact in many developing countries.[2] According to Starbuck's vice-president, "NGOs can be valuable in extending the reach of our company to areas where we have interests but no expertise or in-country presence" (Parker, 2003). Michael Yaziji (2004) adds: "Nongovernmental organizations have four strengths that corporations would be well served to heed. They are legitimacy, awareness of social forces, distinct networks, and specialized technical expertise."

The multi-holder partnerships discussed above have also had a discernable impact on business practices that fall within their jurisdiction. KP has significantly reduced the number of "conflict" diamonds that are internationally traded, EITI and FLA have measurably improved the working conditions of many employees who work for suppliers to western firms, FSC has improved many forestry practices and FTI has improved the living standards of many otherwise impoverished agricultural producers. These, along with a wide range of other corporate codes and policies by individual firms to monitor and improve environmental and labor practices in their supply chains, are not trivial accomplishments.[3]

But it is also important to recognize the limits of these various social and environmental initiatives. Notwithstanding their impressive growth, FSC and FTI "govern" only a small portion of international trade in forestry or agricultural commodities. Codes of conduct for labor practices such as the EITI and the FLA have been primarily adopted by the largest and most visible transnational firms. Less than five percent of transnational firms issue an annual social or environmental report or have subscribed to a voluntary code of conduct. Moreover, the majority of worldwide employment is with small and medium enterprises that are largely unregulated by western based codes. The "Voluntary Principles" illustrate

[2] For an excellent description and analysis of the ways in which many global firms have assumed quasi-government roles in developing countries, see "Public Responsibility and Private Enterprise in Developing Countries," *California Management Review,* Spring 2010 (forthcoming) .

[3] See, for example, Vanderberg, 2007

another important limitation of private global governance: only firms based in a few western countries have subscribed to them. But a growing share of extractive industry investments is from firms based in non-western countries, most notably China, who face far few domestic pressures to improve their human rights practices.

Equally importantly, few social ventures are self-supporting. Most remain dependent on the willingness of western based companies to allocate additional resources to them. The same is true for corporate social responsibility: CSR expenditures must compete with other uses for corporate resources, most of which are much more closely linked to their core business objectives. But while there are important business benefits for engaging in more responsible behavior, they are rarely important enough to persuade firms to allocate sufficient resources to them – especially as doing so neither increases the value of their share prices nor the volumes of their sales to consumers.[4] Notwithstanding the growth of social investment funds and some increases in "ethical" consumption, for most firms the business benefits of better global CSR practices remain modest.

This limits the ability of CSR policies by firms and social initiatives by third sector organizations to address the still pervasive and systematic global and national market and public policy failures. In the final analysis, there is no substitute for effective and responsible public policies, both at the global and national level. Developed country governments need to be pressured into playing to play a more active, and assertive, role– not only by making global firms headquartered in their countries more accountable to those affected by their business practices, but equally importantly, by strengthening the capacity and the willingness of developing country governments to protect the welfare of their citizenry. In this context, what made the KP unusually effective is that is one of the only global business codes of conduct backed up by government trade sanctions. It represents the first and only time that the WTO approved a waiver of trade obligations based on human rights as well as the first time that a private voluntary certification process was granted legal recognition (Aaronson, 2005). In short, in the words of Dana Brown, we must bring "states back in" to global business governance:

> Self-regulation cannot replace state action as a means of promoting economic development and allowing economies to function in a more just way. To believe that it can sends a dangerous message to the powerful actors in our society who have the means to promote this solution. Making global regulation more effective requires that states are provided with the tools and capacities to harness the opportunities that globalization brings.

(Brown, 2007)

[4] For a more detailed discussion of the market constraints on CSR, see Vogel, 2005.

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IMAGINING CORPORATE RESPONSIBILITY IN 2020: WHAT ROLES FOR CIVIL SOCIETY AND COMMUNITY?

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CORPORATE RESPONSIBILITY AND BEYOND

We live today in a world vastly out of balance. Population has quadrupled since 1900 and is still rapidly increasing despite a slowing of the growth rate, and inequitable distribution of resources has created enormous gaps between rich and poor. Population increase is coupled with a still dominant 'free market' ideology that favors growth over stability, externalization of costs over internalization, and large over small. The current model also favors the weighting of financial interests over social and ecological—or even product and service.

These and other factors have all contributed to the demonstrated lack of balance. 'Them what have "gets"' in this world out of whack. In contrast to the past when governments or religious institutions were dominant, today's most significant institutions are corporations, many of them multinational or global in scope. Combined with financial institutions and an emphasis on finance capital, they dominate the economy with their narrow focus on maximization of profits. In this scenario, financial-economic interests seem to take precedence over other interests that are less immediately visible or tangible, e.g., societal, public good, or ecological interests.

Despite the meltdown of 2008 and its economic fallout, it is largely the rich who keep getting richer, while the poor—and local communities—suffer the consequences of economic declines, financial instability, lack of credit availability, and outsourcing of jobs overseas (from more developed and hence costly wherevers to less developed and less costly wherevers). Big bonuses keep getting paid to executives of the 'too big to fail' institutions that gobbled up government monies, while they continue the very same predatory and risky practices that got them in trouble in the first place. Political institutions seem stalled and incapable of acting effectively on these serious problems, or the many others affecting nations, states, local communities, and their inhabitants. Globally, trust in business is (not surprisingly perhaps) at an all time low—however, trust in other large institutions isn't much better. From this 50,000 meter level, the state of human civilization in the world is not pretty.

Based on the current situation, what can we expect going forward to 2020? What role will corporate responsibility practices in large companies play, if any, in helping to shape a better world? Or how might things change for the better if there is any hope at all of substantive change? And, if changes do occur in one direction or another, what will be the roles of civil society organizations (CSOs), community-based organizations (CBOs), and non-governmental organizations (NGOs) in that transformation? There are, of course, any number of possibilities, but below I will focus on three broad outlines that may shape the future—and then suggest the varying roles that CSOs, CBOs, and NGOs might play in a world that—with all the other challenges facing it—is also dealing with a rapid blurring of sector and organizational boundaries that is likely to continue unabated.

BUSINESS AS USUAL

Based on what we have witnessed to date, combined with the relative failure of the Copenhagen 15 meetings and the lack of substantive response to the economic collapse of 2008 at this writing, one version of the future is that the current system stays pretty much intact. Despite the imperatives of climate change and the manifest problems of the current economic system, entrenched and powerful business and governmental interests could conceivably inhibit significant change to deal with these issue, trying to ensure that (at least for the relative short term) resources continue to go to the already-powerful. But because they are already under the scrutiny of activists, NGOs, and CSOs, and because an infrastructure that is pressuring companies both subtly and directly for greater responsibility has already been established (Waddock, 2008), corporations under this scenario are likely to continue to attempt to improve their sustainability and corporate responsibility records (at least superficially, although some companies are making substantive changes).

Under this scenario, the globalization and growth agendas of large multinationals continue, with as much externalization of costs, continued outsourcing of jobs to low wage nations (albeit perhaps some improvement in wages in some of those countries), as feasible under the new constraints of externally-imposed sustainability thinking. In addition, the continued and rapid growth of the so-called BRIC (Brazil, Russia, India, China) emerging nations, and continued global connectivity, especially the social media of web 2.0 technologies, will likely make very visible many of the actions of companies, thereby creating a significantly more transparent world whether companies want to live in that world or not.

Under this scenario, companies will continue to experience pressure to much more openly and transparently recognize their roles in dealing with issues of climate change, sustainability, and specific issues like participation in zones of conflict, use of water and other resources, and impact on local communities. But consumption patterns, the materialist focus that has been fostered by patterns of over-consumption in the West, the externalization of many social and ecological costs, and the valuing of financial and economic interests over the so-called 'real' economy largely would likely continue pretty much unabated, at least until some ecological or social catastrophe caused change. Also continuing unabated would be the effects of climate change and an increasing array of ecological problems, ranging from water to energy scarcity, to problems with food production and distribution, to issues of human security associated with factionalism, poverty, and other forms of strife.

Since few real changes to the system seem to have occurred in the wake of the economic meltdown, in coping with climate change, or in dealing with inequity in the world, this scenario appears probable. Thus, the system seems destined to continue business pretty much as usual.

Or does it?

SYSTEM CHANGE?

Despite the entrenched interests, political stalemates, and power struggles that seem poised to keep the system as it currently is intact, there is evidence that the creative destruction that Joseph Schumpeter talked about in his seminal book *Capitalism, Socialism, and Democracy* (Schumpeter, 1942) continues to this day. This evidence indicates that there is at least the possibility of change in the system, and it can potentially come from a number of different forces. Think for just a moment about the ways in which companies like Google, eBay, Twitter, Wal-Mart, Microsoft, and Amazon.com, to name just a few, have come from start-ups to industry definers and dominators in relatively short periods of time. Did anyone, for example, predict the current dominance of search engine Google, the retail dominance (and sustainability initiatives) of Wal-Mart, how Amazon.com would come to shift how books (and other goods) were sold—and with its Kindle product the very form of books, or eBay's ability to broker goods from individual to individual, creating wholly new markets? And consider that other start-ups, now incipient, might supplant them as well in time.

CREATIVE DESTRUCTION

Some of that creative destruction toward greater degrees of responsibility, accountability, and sustainability may, in fact, come from within existing (mostly large) businesses that have already moved forward on the sustainability and responsibility front. Much of it, however, is likely to come from other sources, including an array of what my collaborator Malcolm McIntosh and I have called SEE Change enterprises in our forthcoming book by that name.[5] SEE Change enterprises wear many stripes and are part of what we label the sustainable enterprise economy (SEE). Some of these sustainable enterprises may arise out of nations with substantively different economic models than the currently dominant nations, e.g., the BRIC nations and polities, and perhaps with either more or less stringent responsibility and accountability standards.

Further, there is always the chance that the dysfunctional and backward looking governments of currently developed nations will finally be able to move beyond their stalled positions on sustainability and economic reforms and actually effect changes. They will do so, arguably, only with significant pressures coming from their citizenry, that is, from progressive civil society organizations (CSOs), non-governmental organizations (NGOs), and community-based activists, who recognize the need for change and put unrelenting pressure on local, regional, and national governments to step up and make those changes.

The possibility that there will actually be significant change from within large corporations that have taken the sustainability agenda seriously is quite real although difficult to achieve. This possibility is particularly notable in a recent report by the World Business Council for Sustainable Development, *Vision 2050: The New Agenda for Business*, which both recognizes the need for and calls for significant change in business. This report argues that a stabilized population of nine billion people can be sustainably supported by 2050, but only with 'fundamental changes in governance structures, economic frameworks, business and human behavior (WBCSD, 2010, p. 1. It also admits that 'with or without *Vision 2050*, life in 2050 will be radically different for all of us' (WBSCD, 2010, p. 3). Focusing predominantly on the role of large corporations, which make up the CEO-led membership of the World Business Council for Sustainable Development, the report defines what it terms a 'pathway' forward toward a sustainable future.

Facing the realities of the current situation, the WBSCD argues for the need for acceptance of the limits of global capacity, a redefinition of success and progress, an increase in bioproductivity, lowering ecological impacts while simultaneously maintaining quality of life, and improving human development in counties currently below acceptable limits (BSCSD, 2010, p. 4). The report further argues for recognition of diversity and interdependent, a 'different' economic reality premised not on ecosystem destruction and ever-increasing consumption, but sustainability and wellbeing, multiparty governance, innovation in market solutions via transparency, internalization of externalities, and inclusiveness, among other factors, effectively dealing with climate change, and 'evolved' workplaces and employees that effectively recognize the worth of sustainability and incorporate it deeply in to the business (WBSCD, 2010, p 6).

The report is also realistic about the risk that its 'agenda' won't be followed, noting the need for significantly greater systems and holistic approaches that are generally agreed, as well as a new set of values focused around 'one world—planet and people,' among numerous other possible obstacles (WBSCD, 2010, p. 32). Although the agenda for 2050 put forward by the WBSCD is still one for a globalized world, this report clearly takes seriously the constraints that the world is facing—and recognizing the need for significant change if humanity is to thrive in the future. But though the report is long on details of the vision, it is relatively short on the 'how' of engaging large businesses in the systemic change process that it argues is needed, nor does it deal in depth with the political realities that must be taken into account.

Not surprisingly, the WBSCD report focuses on the role of large multinational corporations in transforming and improving the world (not surprising as its membership is comprised of such MNCs). It assumes that these enterprises will somehow be able to transform themselves, their values, their internal cultures, and the outlook of their managers and leaders with respect to their roles in society to deal with

[5] Some of the thinking in this paper is also detailed in the book.

the manifest problems of the world. Such change, of course, is always possible, and the report does recognize the need for innovative approaches to financing (including microfinance and reallocation of financial resources to SMEs (small and medium-sized enterprises) and sustainability innovations, particularly that support small and medium-sized enterprises (where many jobs are actually created). But as many major change initiatives within companies have demonstrated over many years, change is hard. Particularly hard is change of the magnitude that is needed to achieve a more sustainable, community and citizen-friendly world by 2020 (or 2050 for that matter).

The WBSCD report, and the many others like it issued by progressive business associations that have proliferated in recent years, while forward looking in many respects, falls short because of its attention to global corporations, while giving relatively scant attention to other sectors and the enterprises that comprise them. It does not deal with the fundamental issue that the growth mantra that underlies our current approach to economics and to business is fatally flawed in a resource constrained environment or that population growth itself is part of the problem that must be acknowledged.

The report also does not reflect much understanding that a very different type of change process is already underway—and that is change from the bottom up, a highly unpredictable form of creative destruction (Schumpeter, 1942). In our modern era, creative destruction has many aspects, some of which derive from sectors that either blur current sector and organizational boundaries and some of which arise in other sectors entirely but have some potential for larger impacts. Nor, as forward-looking at the 2050 report is, does the WBSCD focus sufficiently on the boundary-spanning process and pressures on large companies that many social and civic enterprises in which already engaged. Below, I will develop these aspects of what McIntosh and I are calling SEE Change, while recognizing that the entrenched interests of existing large institutions—business and public institutions, not to mention the many attitudinal, factional, political, human, and other inertial barriers that present obstacles to change.

THE EVOLVING CORPORATE RESPONSIBILITY/SUSTAINABILITY AGENDA

Despite the resistance to system change in large for-profit enterprises, many large companies have in fact adopted the trappings of corporate responsibility and sustainability in recent years. Particularly since the mid-1990s (about the time that the worldwide web became available to the general public, perhaps not surprisingly), companies have been trying to enhance their corporate citizenship by adopting a wide variety of corporate responsibility and sustainability initiatives. Many if not most of these initiatives are what I would label corporate *social* responsibility, in that they explicitly are meant to benefit society and are discretionary rather than strategic to firms. Such initiatives include expansion of existing philanthropic programs and foundations, particularly with the larger and more visible multinationals, as well as the implementation of many volunteer programs, particularly the US, where volunteerism is more common than in those parts of the world where the state still plays a more important role in providing a social safety net. Other companies engage in public-private collaborations aimed at improving specific aspects of society (e.g., education, health, living conditions in local communities, access to technology, food, water, or other resources).

Working under external pressures arising from local communities where companies have facilities, many companies have also implemented extensive corporate community involvement initiatives, attempting to work collaboratively with local officials and NGOs on issues of importance to both the community and the company. In the US, for example, schools (including K-12 and higher education) receive the largest share of company largess, while companies often perceive that there will be benefits from improved schooling in the form of better prepared employees. Many companies have also created internal initiatives that are aimed at directly benefiting the societies in which they have operations through their charitable contributions.

But as what I have elsewhere called the corporate responsibility infrastructure grew and began placing more pressure on the internal and stakeholder- and sustainability-related responsibility practices and activities of large companies, many progressive companies began to more tightly link their sustainability and responsibility practices to their strategies. These pressures happened simultaneously with the growth of the worldwide web and growing global awareness of sustainability and climate change issues—and business' role in them. It is this type of strategic understanding and implementation on which the WBSCD is building, not the more 'do good' oriented activities of philanthropy, volunteerism, community relations, and public-private partnership.

One brief example may help explain the difference. The US-based coffee company Starbucks has developed an integrated approach to both sustainability and its corporate responsibilities that is directly linked to its business model. Currently, Starbucks calls these initiatives 'shared planet™'. As described on the company's website, Shared Planet™ is Starbucks' 'commitment to do things that are good for each other and the planet. From the way we buy our coffee, to minimizing our environmental footprint, to being involved in local communities. It's doing things the way we always have. And it's using our size for good.' The three cornerstones of how Starbucks views itself 'doing business' involve ethical sourcing (buying high quality coffee beans that are responsibly growth and ethically traded), environmental stewardship, and community involvement (being a good neighbor and bringing partners, customers, and communities together).[6]

Similar comments might be made about GE's 'Eco-magination' program, which CEO Jeffrey Immelt sees as the way of the future, Wal-Mart's drive towards sustainability and, more recently organic and local foods, which are rapidly becoming core to its businesses, and Coca Cola's and Nestle's transformation of their water policies, which help them ensure a future increasingly scarce resource. These examples, of course, are not intended to argue that any of these companies are perfect. Each still has significant sustainability, social-ecological, and accountability issues embedded within its business model. At the same time, each has also demonstrated that in the face of stakeholder pressures of various kinds, it is taking at least some strategically important social-ecological issues seriously.

Note that these activities are not charity or volunteer-oriented, but rather directly linked to *how* the business is run and what the business model *is*. All assume continual growth. While Starbucks is more progressive in this respect than many companies (which does not prevent it from being the brunt of much community- and activist-based criticism based on its dominant market position and impacts on communities), it is in this general direction that corporate emphasis on sustainability and responsibility has moved since the mid-1990s. Particularly for branded, large, and visible companies, the integration of responsibilities into business models is, at least rhetorically, an important part of their world-facing positioning these days. The issue is, however, that fundamentally their business models are still premised on continuing growth and a largely-unchanged economic system. The pressures of community, activist, and CSOs make that proposition, long term, questionable at best. Add in the emergent process of creative destruction wrought by numerous *new* types of enterprises, and the future may have the potential to be reshaped.

In the processes of creative destruction described by Schumpeter, it is not that large existing institutions suddenly decide that they will—and are able to—make the changes that the emerging social, cultural, political, and technological landscape demands. Rather creative destruction is an emergent process that happens from within an economy or industry, and sometimes within a business from a new internal innovation or venture, in which new innovations and entrepreneurial ventures replace existing approaches, past innovations, and current systems or institutions. In some ways the emergence of corporate responsibility and sustainability initiatives within large enterprises reflects exactly this process. At least to some extent corporate responsibility and sustainability initiatives have and will continue to (have the potential to) transform existing large companies along the lines suggested by the WBSCD.

[6] Starbucks website, Shared Planet, http://www.starbucks.com/sharedplanet/index.aspx, accessed 3/3/10.

CREATIVE DESTRUCTION TOWARD A SUSTAINABLE ENTERPRISE ECONOMY?[7]

Business focus has changed over time as a result of processes of creative destruction around different competitive issues. For example, the general orientation of the US auto industry once moved from a decided focus on price competition and marketing of 'bells and whistles' to a more decided quality orientation during the 1980s when Japan's car companies began making market inroads. The shift in the automobile industry in the 1970s and early 1980s, along with a similar transition in many other industries that allowed new competitors to gain dominance over old ones, makes the process of creative destruction clearer.

With this thinking in mind, I have argued elsewhere that because of the various stakeholder pressures they are facing, one of the new bases of competition in the future is likely to be a combination of economic *and* social-ecological responsibility, not just profits. Concerned publics in all parts of the world are growing more aware of sustainability and social impacts of firms—and more connected to like-minded thinkers in the various ways that social media are now making possible. The outcome of these new forms of connectivity could well be that social-ecological impacts and benefits will likely continue to be raised up and potentially made, as quality now is, a 'given' or floor for competing rather than an optional set of activities. Ironically, of course, such a move would return business to its original function of retaining its social contract or charter (i.e., papers of incorporation) only so long as it served the public interest (Greenfield, 2007).

The seeds of such transformation toward a more sustainable enterprise economy, based on creative destruction, which Clayton Christensen and his colleagues (2006) have called disruptive social innovation, are already being planted in many new types of enterprises. Whether any of these enterprises, which tend to combine economic and social/ecological goals at their outset (following the lead of early pioneers like Ben & Jerry's Ice Cream, The Body Shop, and Tom's of Maine) have the potential to truly be 'disruptive' of the current structure remains to be seen. But as I will briefly detail below, there are numerous types of organizational innovations with some disruptive—or simply competitive—potential that are already underway.

Several 'movements' and initiatives, still incipient, have begun in recent years that are attempting to take the basics of capitalism and the entrepreneurial spirit and merge them with the social-ecological imperatives that are facing the world. Using an approach that Jed Emerson (2003) has called 'blended value' and John Elkington (1998) has called the triple-bottom line (economic, social, and environment), entities defining themselves as 'B Corporations' (http://www.bcorporation.net/) and Conscious Capitalists (http://consciouscapitalism.com/) deliberately combine the profit motive that fuels business with social and ecological motivation. Conscious Capitalism, founded by John Mackey, CEO of the US-based grocer Whole Foods, 'recognizes the power of purpose and the principle of interdependence,' sees leaders in business as 'stewards and facilitators, and 'embraces the cocreative, generative nature of business…to be a powerful force for positive change.'[8] Founding members in addition to Whole Foods include The Container Store, One Natural Experience, and Satori Capital. Similarly, B Corporations sign a charter that 'uses the power of business to solve social and environmental problems,' and requires its members to be transparent with respect to their environmental and social practices, institutionalize stakeholder interests, and work together collectively to develop the B Corporation 'brand.'[9] Members of B Corporation 220 members (at this writing) include ShoreBank, Dansko, Seventh Generation, and New Leaf Papers.

Such deliberately socially entrepreneurial ventures are part of today's evolving business practice. Even the International Finance Corporation recognizes them on its website as businesses with mixed motives

[7] This section is developed from Sandra Waddock and Malcolm McIntosh, SEE Change: The Change to a Sustainable Enterprise Economy. Sheffield, UK: Greenleaf, forthcoming.
[8] Conscious Capitalism website, About, http://consciouscapitalism.com/?page_id=41, viewed 3/3/10.
[9] B Corporation website, About, http://www.bcorporation.net/about, viewed 3/3/10.

in a brief consideration of the 'for-benefit' corporation with some potential for making change.[10] Like social entrepreneurships, the for-benefit corporation mingles social and profitability goals quite deliberately. Such ventures have burgeoned since strategy scholar C.K. Prahalad and co-authors focused their attention on the 'fortune at the bottom of the pyramid' in a book by that title. Although the term social entrepreneurship had been around (Ashoka claims to have popularized and even invented the term, and has supported social entrepreneurs' efforts for many years), the emphasis on linking money-making goals with social good came to popular attention with some of Prahalad's (2005, Prahalad & Hammond, 2002), work (see also Hart, 2005). Examples of social enterprises include Cafédirect, The Eden Project, Kiva (and other microlenders), and Good Guide (a resource for learning about the responsibility of companies).

ON THE BUSINESS SIDE

On the business side of social enterprise and social entrepreneurship, we find numerous emerging new associations like Volans, which are attempting to encourage various forms of social enterprise. Volans was founded by John Elkington, also founder of the UK-based consultancy, SustainAbility, and attempts to foster social entrepreneurship directly. Billing itself as 'part think-tank, part consultancy, and part broker,' Volans is a not-for profit company that works with entrepreneurs attempting to scale social innovation globally.[11] Though it is more visible than some of its counterparts, it is representative of a new class of enterprise that is aimed at supporting small (sometimes very small) and mid-sized multiple bottom line enterprises and their entrepreneurs.

Volans is interested in scalable social entrepreneurship and enterprise so that ultimately the world will be operating under a different model than it does today. In a publication entitled *The Phoenix Economy: 50 Pioneers in the Business of Social Innovation*, Elkington and his collaborators (2009) suggest that such scalable ventures go through a series of stages. The process starts with a 'eureka' moment in which the social entrepreneur recognizes an opportunity in a dysfunctional system and is followed by experimentation, often in a trial and error manner, which continues until there is sufficient understanding and a network of support (e.g., investors, entrepreneurs, and managers) to build a new model of enterprise that somehow creates value. Stage 4 of the process is called 'ecosystem,' and it assumes that critical mass has arrived as others start to imitate the innovation and new alliances are created. Ultimately (though this has not happened yet), the economic system would 'flip…to a more sustainable state—driving market and institutional transformation.'

The *Phoenix Economy* also suggests, as McIntosh and I do in *SEE Change*, that a structural 'revolution' of sorts is under way. Under this scenario, a new economy embedded with social and sustainability values will someday, hopefully in the not too distant future (they predict by 2020) replace the current one, as thinking about value and the future will have shifted significantly (Elkington et all., 2009, p. 17). Highlighting the growing numbers of social enterprises, Volans names 50 pioneers in its 2009 survey. They all met at least some of Volans' criteria for 'modeling the Phoenix agenda:' pioneering the business of social innovation, creating value blends across a triple bottom line, operating globally, evolving networks as 'possibility factories,' offering hope, and aiming for catalytic change (Elkington et al., 2009, p. 43).

The 50 Volans pioneers were selected from more than 400 nominations, highlighting the rapid evolution of social entrepreneurship at the global level. Among the pioneers are Ashoka (see next section), CellBazaar (Bangladesh) of Grameenphone (developing commerce via cell phones), Ceres (business and investor network to integrate sustainability into capital markets), GE's Eco-magination, Google, Inc. (for multiple initiatives under its philanthropy), the Global Footprint Network, Innocentive (a collaborative problem solving network), the Marine Stewardship Council, and Sustainable Asset Management. As can

[10] International Finance Corporation, http://ifcblog.ifc.org/emergingmarketsifc/2007/06/forbenefit_corp.html, viewed 3/3/10.
[11] Volans, About, http://www.volans.com/about-volans/, viewed 3/4/10.

be noted, these pioneers range widely from initiatives within major corporations to start-ups to NGOs. Volans is but one of any number of new enterprises that are aimed at fostering the growth of social entrepreneurship, either with grants (e.g., Ashoka) or through supporting micro-enterprise with microloans (e.g., Kiva). Indeed, the UN itself has fueled the growth of microenterprise by supporting openly, even declaring 2005 the 'year of microcredit.'

ON THE NGO, CSO, COMMUNITY SIDE

With a tag line of 'everyone a changemaker,' Ashoka has since 1980 claimed to be the 'global association of the world's leading social entrepreneurs.'[12] Although today, there are numerous social enterprises whose mission is to foster social entrepreneurship, Ashoka is the 'granddaddy' of such institutions. Over time, Ashoka has selected more than 2000 entrepreneurs from 60 countries to become Ashoka Fellows, and provided them with stipends, professional help, and a global network to help them become successful social entrepreneurs. In particular Ashoka works with what it terms the 'citizen sector,' or civil society organizations (also called nonprofits and NGOs in various parts of the world) to try to foster the same kind of growth and development in that sphere that the business sector experienced in recent years, but doing so through social innovation and entrepreneurship rather than governmental support. The choice of terminology is deliberate, and meant to reflect 'people who care and take action to serve others cause needed change.'[13]

The increasing popularity of social entrepreneurship is manifested in the fact that Muhammad Yunus, founder of the pioneering microfinance organization, Grameen Bank, which now has evolved to encompass numerous types of social enterprise, won the Nobel Peace Prize in 2006. Further, several institutions now provide specific support to social entrepreneurs beyond those already mentioned, including the Skoll Foundation (and its Social Edge program), Kiva, Global giving, the Schwab Foundation, the Acumen Fund, the Kauffman Foundation, and the Draper Richards Foundation, among others.

The burgeoning of social innovation through social entrepreneurship and enterprise has had the impact of fostering the growth of similar organizations to Ashoka, like Volans, and Echoing Green (a similar US-based support system for social entrepreneurs founded in 1989). Major US universities including Harvard, Duke, Columbia, the University of Washington (which sponsors a global competition), Oxford University, Stanford, the Tata Institute for Social Sciences, and the University of the Pacific, among others, already offer courses or programs in social entrepreneurship. Global institutions like the World Economic Forum and the World Bank, along with the United Nations, are also engaged in fostering more social entrepreneurship. The fact that so many different types of institutions have become engaged with the questions around social entrepreneurship and issues associated with their growth attests to the emergence of social entrepreneurship as a new social phenomenon.

BOUNDARY BLURRING ENTERPRISE

By most accounts there has been tremendous growth in civil society organizations (nonprofits, non-governmental organizations (NG0s), civil society organizations (CSOs), community-based organizations (CBOs), and similar institutions that are neither governmentally- nor economically-based and motivated. Such enterprises exist at multiple levels—ranging from single individual, web-based activists, to local activist groups, to community-based enterprises, to regional and global NGOs with significant clout and impact on the world (think, for example, of the Red Cross/Red Crescent, Oxfam, Greenpeace, and WWF, as examples). Ecologist Paul Hawken, in researching entities that contribute to what he claims is a largely unrecognized global movement around social justice and sustainability issues, has uncovered as many as

[12] Ashoka home page, http://www.ashoka.org/, viewed 3/4/10.
[13] Ashoka, Citizens Sector, http://www.ashoka.org/citizensector, viewed 3/4/10.

two million such entities with these focuses in his work on what he terms *Blessed Unrest* (Hawken, 2008). Another study suggests that the US alone has 1.5 million CSOs, and India as many as a million.[14]

CSOs, CBOs, and NGOs are typically thought to be part of the civil society sector, but increasingly sector boundaries, which were once sacrosanct, are blurring. For example, many social enterprises have begun incorporating more business practices to improve their performance. Like their counterpart socially entrepreneurially businesses, many are developing businesses internally that provide on-going and steady sources of income from internal for-profit activities that support the not-for-profit mission—and cross the boundary between business and civil society. For example, some NGOs sell merchandise at a profit or have internal profit-making ventures that help stabilize income flow.

Other NGOs are social enterprises much like the ones discussed above, except that they are established as not-for-profit ventures with a social mission and, rather than needing to make a profit, they simply need to earn or otherwise raise enough revenue to support their business in an on-going way. This path makes the most sense for social entrepreneurs who think that their venture has some money-making potential, but who believe they may still need to do some fundraising of the more traditional nonprofit-oriented type to ensure the longevity of the enterprise. Grayston Bakery, long affiliated with Ben & Jerry's Ice Cream (now part of Unilever), is one example of a mixed model. The bakery produces brownies for Ben & Jerry's by employing the formerly homeless, meeting a social mission along with a for-profit mission of producing quality bakery items.

Some new ways of organizing blur boundaries even more dramatically than do the business-centric examples above. One example is that of Global Action Networks (GANS), which have emerged over the past several decades. GANs, as Steve Waddell (2003) of Networking Impact (itself a social enterprise) has termed them, are networks of parties around a given issue. Examples include the UN Global Compact, the Forest Stewardship Council, the Marine Stewardship Council, and the Global Reporting Initiative, among many others that have emerged in the world over the past several decades. GANs are defined by being global, focusing on issues related to the public interest (v. profits), developing interdisciplinary action-learning via experimentation among members that helps them address intractable challenges, creating diverse networks of stakeholders around their issue, and generating systemic change through cross-sectoral action. [15]

Other initiatives, like the Slow Food movement (http://www.slowfood.com/), which focuses countering fast food and generating pleasure in eating and cooking, the Slow Movement more generally (http://www.slowmovement.com/), or the Business Alliance for Local Living Economies (BALLE) (http://www.livingeconomies.org/), began locally with activist communities and entrepreneurs, and are spreading their messages virally through the internet and local networks that carry forward. BALLE is a good example. In just a few years it grew from a few founding members to at this writing encompassing some 20,000 entrepreneurs and 21,000 businesses in 80 communities in the US and Canada. BALLE's general idea is to build what it calls local living economies (v. globalized ones), using local networks that are community-based, green, fair, and accountable to local stakeholders.[16]

The blurring of boundaries has come about in some ways because of the pervasiveness of connectivity and is being greatly enhanced by the new social media (e.g., FaceBook, YouTube, Twitter, and related technologies). Technological connectivity of all sorts, particularly social media also blur many boundaries—personal to collective, individual to organization. They enable the emergence of 'connected' groups that rarely if ever come together in person, but that can engage actively on issues when called upon. Phenomena like 'flash mobs,' interest groups around both specific and general issues, and other

[14] Paul Hawken, *Blessed Unrest: How the Largest Movement in the World Came into Being* and *Why No One Saw It Coming*. New York: Viking Press, 2008.
[15] Scaling Impact, http://www.scalingimpact.net/?p=gan, 3/5/10.
[16] BALLE homepage, http://www.livingeconomies.org/, 3/5/10.

web-enabled enterprises are springing up and changing the way that humans, at least in the developed and connected world, communicate with each other—and with businesses.

Business today is at a very early stage of figuring out how to deal with these new media effectively, either for communicating with stakeholders or spreading its own message. Political associations, like the US' www.MoveOn.org, can draw upon their membership to contact legislators around specific issues and build political clout the larger their networks grow. Local communities, NGOs, and CSOs have all yet to fully tap the power of the new social media for engaging their membership and moving actions forward, but the potential is there for creating transparency for both themselves and the subjects of their interest.

CORPORATE RESPONSIBILITY: AN INSUFFICIENT AGENDA?

What are the implications of all of all these shifts in enterprise (of all sorts), blurring boundaries, and connectivity for the future of corporate responsibility? Corporate responsibility practices (aka corporate citizenship and corporate social responsibility) ranging from philanthropy to the beginning of the type of integration into strategy and the business model noted above have become widely adopted, especially by large corporations, over the past couple of decades. CR in its traditional and most widely-accepted guises, what I would call corporate 'social' responsibility, or the philanthropy, volunteerism, community relations, and other explicit pro-social activities (without necessary bottom line benefit) of firms, is likely to continue. I believe, however, that the processes of creative destruction outlined above will create a wholly new corporate responsibility agenda over the medium-to-long term.

In a future-oriented piece, published in *The Edge*, internet guru David Gerlenter says the fundamental question for the Internet age is, 'What do our children know that our parents didn't?' His answer is that they know 'Now,' because the internet is about 'now.'

> Internet culture is a culture of nowness. The Internet tells you what your friends are doing and the world news now, the state of the shops and markets and weather now, public opinion, trends and fashions now. The Internet connects each of us to countless sites right now — to many different places at one moment in time.
>
> (Gerlenter, 2010)

Think about the implications for the future of corporate responsibility if Gerlenter is correct. Information about a company's (or any enterprises') accountability, stakeholder, and responsibility practices always transparent in the 'now,' and instantaneously available to anyone interested. Community leaders, activist, NGOs, CSOs, CBOs are all part of this 'now' culture as well—and their activities, too, will be transparent in the stream of information available to the world. No one knows exactly what this future will look like or what its full implications will be. We can, however, suggest that in a world of such obvious transparency, a key will be authenticity—the merging of values, actions, strategies, and goals consistently constructively, and transparently—will be tremendously important. And the demand for authenticity is likely to be as true for NGOs, CSO, and community groups as it is for business enterprises and blended value enterprises.

Because transparency for companies (and other types of enterprise, including NGOs, CSOs, and activists) will exist whether they want it to or not, it seems to me all enterprises will be under a new and very bright spotlight. This spotlight will be enhanced by social media and the numerous CSOs, NGOs, activists, and local interest groups in communities. Such actors may well pay attention to specific business entities and their activities, and very well may highlight issues of responsibility, sustainability, equity, and accountability (much as Hawken finds that his million plus 'blessed unrest' enterprises do), since these issues are likely to continue to hold center stage for the foreseeable future.

CSOs, NGOs, and communities will, if I am correct, be able to target problematic activities and bring pressure to bear on enterprises with various forms of stakeholder engagement and activism in an effort to bring about their desired outcomes, whatever they might be. Larger enterprises will be all the more visible the more connectivity increases. Further, the more sophisticated external stakeholders, such as

NGOs, CSOs, and community groups, become, the more likely they are to continue to target larger enterprises with their activism. Thus, citizen- and NGO-based demands for more accountability by large institutions of all sorts will continue to affect the agendas of large corporations.

But that does not leave smaller enterprises immune, because the reality of web 2.0 media are that everyone's and every organization's activities become easy to target at a local level as well, particularly when some practices are considered problematic by a group of connected observers. Thus, at the local level, many more people are becoming aware of the negative impacts of globalization and current company practices on their communities, and of the web of connectivity that constitutes many large actors today. In a web 2.0 world, where companies' activities and practices are transparent whether they want them to be or not, companies will increasingly be held responsible for their impacts. Abetted by the proliferation of social-cause NGOs, social enterprise (from both within business and from outside it), and blurring sector boundaries, the current largely-reactive corporate *social* responsibility agenda may continue but will likely take second place to more truly strategic and business-integrated responsibility and sustainability practices. At least that integration is what *needs* to happen if we are to achieve anything close to the 2050 vision articulated by the WBSCD.

TOWARD RESPONSIBLE AND SUSTAINABLE COMPANIES

Based on the foregoing, it seems that there are at least five underlying reasons why a move toward embedding sustainability, responsibility, accountability and transparency practices into the strategies and practices of all enterprise (profit making or not-for-profit) is important. Such a move could ensure that all enterprises live up to a social contract in which they are benefitting society or the natural environment (i.e., returning to the original social contract in which companies needed to serve the public interest to exist). Whether these strategies result in changes in legal statutes or not, these reasons represent significant pressures that companies are likely to face:

1. There is growing public awareness and a scientific consensus globally about the issues associated with sustainability and climate change that is ultimately bound to affect not only communities and nations, but also other institutions including companies.
2. The worldwide web and particularly the advent of web 2.0-based social media have made transparency a norm for businesses (and other institutions) whether they want to be transparent or not. There are likely to be few places to hide in the web 2.0 world of the future, and business models, responsibility and sustainability practices, and stakeholder relationships are likely to be at the core of much of this visibility. Enterprises other than business will likely face much the same scrutiny, partially as reaction to the scrutiny of business.
3. Sustainability issues will force a de-emphasis on consumption, and possibly a re-emphasis on community, relationships, and non-material-based improvements to quality of life, that is a move toward defining success in terms of wellbeing rather than growth (which is inherently unsustainable).
4. Also for sustainability reasons, companies are likely to continue to de-materialize as much as possible in the face of resource constraints, and shift their emphasis to the provision of services, which demand far more stakeholder-facing activity and put the company at reputational, goodwill, customer- and employee-retention risk if mishandled.
5. The dominance of financial institutions over the productive sector of the economy that occurred during the run-up to the economic meltdown of 2008 will (hopefully) be mitigated and rebalanced in favor of the productive and social sectors, which as I have noted will continue to blur. This rebalance will likely focus companies' attention on the production of socially-beneficial or desirable goods and services. Perhaps as a by-product generating more meaningful workplaces, products, and services, something else that stakeholders will likely demand.

In this world, responsibility practices may very likely move from being something 'nice to do,' voluntary, and reactive to external social pressures, to—like quality—part of the norms of what it means to do business in 2020. Corporate responsibility practices may well be a possible source of competitive advantage today for pioneering companies (e.g., Starbucks with its global sourcing criteria, Levi Strauss with its pioneering supply chain ethical guidelines, GE with Eco-magination, Wal-Mart with its sustainability program). It can also be a source of reputational advantage.

But the fundamentals of sustainability and stakeholder-related responsibilities for businesses as well as other enterprises are far more likely to be a business imperative in tomorrow's web 2.0 world of 2020. Constantly 'in touch' stakeholders, NGOs, and community activists may be able to pressure companies in ways currently unimagined (assuming, of course, no totally disastrous ecological, economic, or technological meltdown between now and then, which I think is at least a possibility). If this scenario is at all correct, companies will need to move beyond corporate social responsibility to actually realized responsible and sustainable companies—with all sizes, shapes, and goal structures.

Further, there a number of core issues facing the world with its expected continued population growth—and without serious effort, these are unlikely to go away. They include food production and distribution, population growth, distribution, and demography, energy sources, water resources, and human security, which is related to more equitable distribution of resources. Increasingly, if companies are retain what many practitioners call their 'social license to operate' (fundamentally, their social contract), they will need to be productively engaged with other citizens, with NGOs, with multilateral and other global institutions, and locally with their communities on these issues, even if they currently do not seem to be 'business central.'

CSOs, NGOs, Activists, and Communities in 2020

Any kind of shift to a sustainable enterprise economy demands the active involvement and engagement of civil society, CSO, and NGOs in a variety of ways. There has been historically unprecedented growth in CSOs and NGOs since World War II. Recent work by ecologist Paul Hawken on the social movement that he terms 'blessed unrest' (Hawken, 2008) suggests that there are many people in the world, most from civil society, who see the need for this transition and are already working toward it. The problem, as Hawken describes it, is that although he has found as many as one to two million blessed unrest enterprises (listed on his website), most are unaware of the others' existence and are working largely independently. Contrast that situation to the global identity, clout, and reach of multinational corporations, with their marketing knowhow, organizing, and innovation capacities, and instantaneous reach of finance institutions globally so that capital now moves without borders.

By 2020, assuming no massive ecological or economic meltdown that drastically changes the picture, an assumption of which I am not entirely sanguine, current trends indicate that many more people than today will be technologically connected. The transparency for organizations of all sorts that will be made possible by the web and particularly social media—and whatever new media follow—will make it both a more challenging task for CSOs and community organizations, because they will have to filter through this information and easier because the information needed will be available quite readily.

While it is impossible to predict what specific technologies and types of enterprise are likely to take hold in the future, it seems reasonable to predict that: 1) connectivity will be greatly enhanced and web 2.0 types of social media will be prevalent, not just for individuals, but for groups and organizations, 2) community organizing, activism, and work by NGOs and CSOs will rely, just as much as business will, on web technologies and information based in the so-called 'cloud' of connected but non-local computers for sources of information, organizing, and idea-generation.

In a world where economic and financial interests still dominate social, ecological, and public interest, it seems clear that priorities among business, government, and civil society strongly need to be rebalanced.

This rebalancing implies that no one set of interests or concerns dominates the others. To effect such a rebalancing, there will be a need for civil society organizations of all sorts to engage 'smarter' and more proactively with businesses, governments, and other members of civil society. They will need to discover and more effectively use the clout that comes from a cohesive and focused concerned citizenry in democratic regimes than they have to date. Below are some of the issues that this context poses and some suggestions about how CSOs, NGOs, and communities could effectively move their efforts toward forward.

ACCOUNTABILITY

One of the key issues for civil society organizations generally is to ensure the integrity, responsibility, sustainability, transparency, and, ultimately, accountability of larger institutions, including businesses and governmental institutions. Doing so is not easy however in the 'connected' and ever present 'now' of the future, the opportunities will exist for civil society organizations to ensure institutional accountability by constantly scanning the activities of relevant organizations, associations, and groups. Doing so will require that CSOs maintain vigilance and awareness of what is in the glocal (global and local) 'now' of both cyberspace and on-the-ground actions for relevant information about key players that affect their communities. Being effective in doing this means that they will need to develop sufficient understanding of the system (including how business operates) to be able to translate information into implications accurately.

The shoe, of course, is also on the other foot. Being part of this ever-present 'now' of transparency will place CSOs and NGOs under just about as much scrutiny for their own practices as the businesses and other institutions that they monitor. Demands for accountability *from* CSOs will be as loud as they are for businesses and new ways will need to be developed for ensuring that appropriate levels of accountability, authenticity, and integrity are achieved.

COLLABORATION AND COORDINATION

Since tiny social enterprises and civil society organizations operating independently (the organizations of 'blessed unrest') are unlikely to be able to act effectively against much larger institutions, there will be a need to learn to determine shared goals and visions and, ultimately, collaborate and coordinate activities. Difficult as it is for the independent social entrepreneurs to collaborate (whether are in businesses or not-for-profit enterprises), they will need to find common ground so that they can combine resources and make their voices heard in local, national, and global debates about the future. Particularly for social activists and CSOs, the need to consolidate resources to gain clout and political/social impact is likely to become ever more apparent. Web 2.0 technologies will aid in this process, as they can potentially provide a common means of communication and coordination that can allow the emergence of workable frameworks for action on matters of common interest. Only through coordinated action and agreement about goals and, to some extent, means, will the interests of civil society be able to be heard as a set of countervailing pressures and power in the din of activism likely to be generated by existing institutions.

RESPONSIBILITIES

Bringing community, social, and ecological interests into alignment with those of business may be easier to the extent that SEE Change enterprises with their blended value approaches grow and begin to become major players in the economic landscape. The first skill needed to fulfill these responsibilities is enhanced awareness—of what the problems are, of how actions today lead to implications tomorrow, of how entities are interdependent with each others. In other words, the capacity for systems thinking and understanding is likely to be paramount (Waddock and McIntosh, in press). Co-requisite with systems understanding is the ability to place attention on issues and goals that are not inherently simple—goals such as wellbeing and societal or ecological health, not just the 'simple' bottom line associated with accounting and finance.

Defining wellbeing, determining what elements constitute it, and conveying the idea is inherently more difficult than looking at a financial bottom line and determining whether a profit or loss has been attained. Yet we clearly need new society and ecology based definitions of wellbeing that go well beyond current measures, e.g., of gross domestic product. (Notably, there are a number of contenders to work alongside, or replace, GDP, including the Happy Planet Index and the Genuine Progress Indicator, among others). The elements that constitute wellbeing may differ from region to region, or by culture. Any definition of wellbeing is likely to include elements of sustainability for the individual as well as the natural environment, community connections, availability of productive and meaningful employment and non-work activities, among other factors. There is no single metric, at this point anyway, that is fully accepted as conveying wellbeing (despite ongoing efforts to develop such metrics). Yet finding some ways to articulate the idea of wellbeing as equally or more important than profitability, growth, or other simplistic measures will be crucial to a sustainable future.

The need to balance the social-ecological interests with economic interests brings a set of responsibilities that are particularly important for civil society organizations. Such entities will need to develop new—probably web-based and certainly collective—ways to *pressure* regulators and legislators for *appropriate* mandate and regulation. Such regulation can help balance the need for innovation so well handled by the business sector with what is important to community or society. Knowing what the needs on both sides are will likely demand sophisticated understanding of business and how it operates, not just how civil society enterprises operate, not to mention how political change happens. That understanding will need to be closely linked with the ability to listen carefully to the concerns, needs, and interests of community and society members in ways that go beyond one-dimensional polling.

Use of sophisticated systemically-oriented approaches (e.g., open space, future search, world café, mind mapping) can help in this regard. But these techniques provide complicated rather than simple answers. A requisite skill to accompany the use of techniques that tap underlying needs and interests is having the communication skill to articulate those needs not simplistically but simply, powerfully, and emotionally effectively so that they 'stick' (Heath and Heath, 2007). This skill is one of being able to articulate ideas so that they are, effectively, contagious.

A SEA FOR CIVIL SOCIETY AND COMMUNITY IN SEE CHANGE

Dealing with profit-oriented businesses, SEE (sustainable enterprise economy) Change enterprises (Waddock & McIntosh, in press), and blurred boundaries presented by blended value enterprises and technology will not be easy for members of civil society. Indeed, I have come to believe in writing this paper that there is also need for SEA change for civil society. To wit, dealing with the future will demand: Seeing, Engaging, and Acting from civil society.

Seeing. To be effective, civil society members (and others, of course) will need to enlarge their perspectives (grow beyond conventional levels of consciousness to post-conventional levels) to encompass and understand perspectives from individuals in enterprises quite different from their own (business, government, and other CSOs, NGOs, and communities). This new form of

'seeing' means being able to cope with ambiguity, while listening to others in ways that allow the observe to really *hear* and understand what is being said, interpret it accurately, and translate its implications for others. This type of listening means listening beneath the surface concerns to understand the fundamentals of what is being said. Part of this process is the ability to frame ideas so that they are engaging and actionable—the other two elements of SEA.

Engaging. The second set of skills for SEA change in civil society is the capacity for engaging others. That engagement process, of course, means being able to engage with other like-minded individuals to form the coalitions that will be needed to deal effectively with larger entities, to collaborate across their boundaries, and coordinate actions. But it will increasingly mean also engaging with others who are not necessarily like-minded, e.g., in the blurred other sectors that will demand interaction around issues of blended value, organizational interaction, or forward momentum. Such blurred boundary engagement will be more difficult but essential to the success of civil society organizations attempting to work in the context of the 'now' that 2020 is likely to present.

Acting. The final element of SEA change for civil society is the capacity to act effectively. If civil society can learn anything from business, it is the capacity to innovate, act, and implement—but to do so with a bigger perspective and system understanding. Acting effectively means designing effective and coordinated strategies, with clear goals, and well articulated means of achieving those goals. It means having the courage to take initiatives when necessary, and the capacity to follow through even when obstacles are presented.

CONCLUSION

This SEA change for civil society enterprises partly means coordinating and working together by defining common goals, even while acknowledging that there are differences. Somehow the task for civil society will be to work from a deeper perspective than the surface goals and find what the common ground is in initiatives that look different on the surface—and being able to consistently work from that deeper perspective. Thus, particularly civil society actors who hope to engage with business have to get beyond the us v. them thinking that separates and figure out what it is that all of us want our world to be, not just for ourselves, but also for our children and their children. That will require courage, persistence, and real leadership from just about everywhere, but that everywhere will be critically important in civil society enterprises. We are, after all, all in this together.

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SOCIAL INTRAPRENEURSHIP: AN EXTRA FORCE FOR SOCIAL INNOVATION

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INTRODUCTION

Our globalized society is facing tremendous sustainability challenges (Rishcard, 2002) such as climate change (Gore, 2006), limited natural resources (WWF, 2008) and poverty (The World Bank, 2007; United Nations, 2009) to name just a few. Business is perceived partly as the culprit causing some of the problems (Livesey, 2002) and similarly seen as a possible agent to develop solutions to address the challenges (Grayson and Hodges, 2004; Porter and Kramer, 2006, Senge et al 2008). To discover potential solutions and to upscale exemplary projects is critical to ensure humanity's common future (World Commission on Environment and Development, 1987).

In recent years social enterprises (Briscoe and Ward, 2005; Doherty, 2009; Lynch and Walls, 2009; SEKN, 2006) and social entrepreneurs (Bornstein, 2007; Drayton, 2009; Elkington and Hartigan, 2008; Haugh, 2007; Leadbeater, 1997; Nicholls, 2006; Seelos and Mair, 2005; Yunus, 2009) have been heralded as potential solutions to humanity's challenges. Social entrepreneurship for example is perceived as holding "the potential to assist the economic and social development of individuals and societies around the world" (Haugh, 2007: 743). A central question in the current debate is how to scale solutions which have been proven beneficial on a local level (Beloe, et al., 2004; Chambers, 2005; Kramer, 2005; Moore and Westley, 2009). If local social businesses could go to scale they could effectively address some of the global issues we are confronted with.

It seems that practitioners have spotted an additional way to large scale social innovation and change – social *intra*preneurs (Fetzer and Aaron, 2009; Net Impact, 2009; SustainAbility, 2008). The term intrapreneur has been defined as a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation (Macrae, 1976; 1982; Pinchot, 1983; 1985; Pinchot and Pellman, 1999). Our current working definition for social intrapreneurs builds on this definition:

> A person within a large corporation who takes direct initiative for innovation(s) which addresses social or environmental challenges profitably.

The definition explains why social intrapreneurs hold the potential to large scale innovation and change. Social intrapreneur Gib Bulloch at Accenture explains: "Affecting even small change in large organizations can lead to significant positive social impact." (SustainAbility, 2008: 15).

The value of studying social intrapreneurship lies in its potential to develop solutions to our global challenges. In contrast to social entrepreneurs social intrapreneurs can leverage existing infrastructures and organizational capabilities to deliver social value already at scale.

This empirical paper sheds more light on the following three central research questions:

1. How do social intrapreneurs generate social innovation and change?
2. What are their personal characteristics?
3. How can external institutions such as NGOs and academic centres support their projects and personal development?

We will first present the research methodology applied to generate more insights about social intrapreneurs; then we outline first why social intrapreneurs seem to be an under-exploited category of change agents as they are generating social innovation and change. In a second step we drill deeper into the personal characteristics of the social intrapreneur such as their mindset, their skills and behaviours. In the discussion section we shed light on the role of external institutions such as NGOs and academic centres in the personal development of social intrapreneurs as well as of their social innovations. The final conclusions summarize the arguments presented and describe the implications for practice and future research.

RESEARCH METHODOLOGY

As the field of social intrapreneurship has not yet attracted academic attention we took a qualitative research approach (Miles and Huberman, 2005; Strauss and Corbin, 1998; Taylor and Trujillo, 2001). We tried to identify different cases of social intrapreneurship which could be compared following a comparative case study approach (Eisenhardt, 1989; Yin, 2003). In this process we used the working definition of social intrapreneurs presented above to distinguish from existing models such as tempered radicals (Meyerson, 2001; Meyerson, 2004), corporate volunteers (Liao-Troth, 2008), corporate responsibility champions (Exter, 2009) as well as green teams (Esty and Winston, 2009). Social intrapreneurs further social and environmental goals while at the same time generating a profit for their employers.

The first group of cases was identified by reviewing existing practitioner publications on the subject (Fetzer and Aaron, 2009; Net Impact, 2009; SustainAbility, 2008) as well as profiles available on the Aspen Institute's First Movers Fellowship Program website.

The second group of cases was obtained by issuing a call for participation through the Ethical Corporation magazine, personal contacts and postings at different listservers around the issue of social innovation and change. We did semi-structured interviews (Miles and Huberman, 2005) with all prospective self-identified social intrapreneurs who answered our call. In total 25 interviews have been conducted to date with social intrapreneurs. To control for validity social intrapreneurs were asked to review and release a short summary of the interview – a process known as communicative validation (Yin, 2003).

To further validate our sense-making process we did interviews with intermediaries in the social innovation space such as the authors of previous publications on social intrapreneurs. In total 5 interviews have been conducted with intermediaries.

The study of previous publications and web profiles, together with interviews with social intrapreneurs as well as intermediaries helped us to triangulate results (Jick, 1979). The data was analyzed following Strauss & Corbin's (1998) process of description, conceptual ordering and theorizing. Secondly a form of analytic induction (Wilson, 2004) was used to compare constructs across cases. This process helped to facilitate cross-case comparison and is considered a suitable method for building theory and testing ideas across multiple cases (Miles and Huberman, 2005).

In the presentation of the results we are following a qualitative constructivist approach (Berger and Luckmann, 1966; Hemingway, 2005) not claiming to demonstrate a true or false report on reality but instead to access a repertoire of narratives.

SOCIAL INTRAPRENEURS - AN UNDER-EXPLOITED CATEGORY OF CHANGE AGENTS

Social intrapreneurs create innovations which are both socially and financially beneficial by leveraging the resources and capabilities of their organizations. Nick Hughes and Susie Lonie from Vodafone are examples, leveraging Vodafone's expertise in telecommunications and technology to provide banking solutions to the people of Kenya, making their financial life easier and more secure (Basu, 2008; SustainAbility, 2008: 35). Developed by the British telco giant Vodafone and the Kenyan mobile telecommunications provider Safaricom, their service is called M-PESA: M stands for mobile and PESA is Swahili for money – an obvious name for a mobile banking system. Kenya's banking infrastructure is so poor that it does not reach about 80% of the population. Mobile phone use is much more widespread. According to the Financial Sector Deepening (FSD) Trust over 54% of the population - including even the rural poor - own mobile phones. No wonder, then, that within one year from its launch in February 2007 more than 200,000 customers registered for the M-PESA service.

M-PESA is a example for the work of social intrapreneurs in the space of inclusive business (UNDP, 2008) and Business at the Bottom of the Pyramid (Prahalad, 2005; Prahalad and Hart, 2002). The societal challenge here is to bring the benefits of business to low-income families thus increasing their quality of life. In Latin America alone, 33% of the population, around 180 million people are considered poor (ECLAC, 2009). While being poor they have the same nutritional, security, housing and other needs as middle class citizens and usually have to pay a much higher price for such services (Prahalad and Hart, 2002). Social intrapreneurs are alleviating this situation. Some of them use the capabilities of multinational insurance companies to offer micro-insurance to low-income families. Their offerings of health, life, accident and disability insurance are already reaching more than 2.3 million people in developing countries. Others such as Ian Mackintosh at SABMiller are working with local farmers and indigenous communities to source natural ingredients for their production process giving these suppliers a stable source of income. Social intrapreneurs in the energy sector are trying to leverage the business expertise of their employers to provide micro-energy solutions to off-grid villages. Vijay Sharma's Shakti initiative at Hindustan Unilever, India's largest fast moving consumer goods company, is another example addressing the financial divide (SustainAbility, 2008: 40). Shakti means 'Power' in Sanskrit and its primary aim is to empower Indian women to become micro-entrepreneurs by distributing the company's products such as detergents, toilet soaps, and shampoos in small rural villages. Figures indicate that the program created employment for over 40,000 women entrepreneurs – thereby doubling their daily income. The initiative changed the lives of participating women like Susheela: "When the people see me, they crowd around me and call me 'Shakti amma'. I am someone today." (Wright, 2008).

Another big area social intrapreneurs are addressing is resource consumption and waste. Resources are used to produce goods and services, which, after their use, end up in landfills around the globe. The United Kingdom, for example, produces more than 434 million tons (478 million US short tons) of waste every year. This rate of rubbish generation would fill the Albert Hall in London in less than two hours. On average, each person in the UK throws away seven times their body weight (about 500kg) in rubbish every year. To deal with this issue, the UK government has issued a landfill directive encouraging waste avoidance and recycling. The associated landfill tax is regarded as a key mechanism in enabling the UK to meet the demanding targets (Spitzeck, 2010). Initiatives like these provide an additional financial motivation to reduce resource consumption and waste going to landfill. Richard Ellis at Alliance Boots in the UK implemented a recycling programme which saved 256 tonnes of rubbish from going to landfill. This engagement saved his company £156,000 in landfill tax (Fetzer and Aaron, 2009). Other examples are saving water by innovative drip irrigation systems which help farmers in dry areas to efficiently water their plants. Social intrapreneurs in logistics optimize their routes in order to save petrol and to avoid emissions. To develop chemicals from natural ingredients instead of oil is the challenge for one social intrapreneur at an international pharmaceutical company.

Climate change is another area of activity for social intrapreneurs. Social intrapreneurs at different telecommunication companies are promoting teleworking solutions to improve employee satisfaction, reduce traffic and congestion as well as reducing CO2 emissions. Hugh Saddington at the Australian telecommunications company Telstra has successfully championed a series of carbon calculators for Telstra clients to see how much their use of various Telstra services such as video-conferencing will reduce their carbon footprint. The more successfully they sell these products and services the better for the planet. Early in their career with the German electrical engineering company Siemens, the IT professionals Mark Siebert and David Murphy built an internal network of people interested in sustainability issues. This group of socially and environmentally sensitive colleagues discussed issues in the intersection of IT and sustainability. The first wave of their engagement concentrated on "Green IT" – eco-friendly and resource saving applications resonated with their employer as well as with clients which were able to save costs related to their IT infrastructure. At the same time this lowered emissions from energy consumption.

The activities of other social intrapreneurs focus on awareness building as well as leveraging other organizations' effectiveness. Especially social intrapreneurs working for media companies have realized that there is a significant segment of the population interested in sustainability issues. On one side this represents a new reader segment; on the other hand it puts sustainability issues in the mainstream media. For example, marketing company Ogilvy was able to attract new clients by launching green marketing offers (Fetzer and Aaron, 2009). Finally there are social intrapreneurs leveraging the capabilities of consulting firms to enhance the effectiveness of civil society organizations. Gib Bulloch at Accenture initiated Accenture's Development Partnership program (SustainAbility, 2008: 15, 48), Jo da Silva at Arup [Force for Good 2009] and Ralf Schneider was behind PricewaterhouseCoopers' Ulysses initiative (Pless and Maak, 2009).

We found the majority of social intrapreneurs to be engaged in inclusive business resource consumption as well as climate change. The examples above outline that social intrapreneurs do not necessarily need to scale their initiatives themselves, as the small changes they provoke inside big organizations have an immediate impact on thousands, and in some cases millions, of people. Research in the field of social intrapreneurship is currently driven by practitioners and no academic studies could be identified. From our initial results we conclude that the study of social intrapreneurship holds great potential for academics interested in social change and innovation.

THE MINDSET, BEHAVIOUR AND SKILLS OF SOCIAL INTRAPRENEURS

Beyond identifying how social intrapreneurs act as change agents in companies, we were also interested in identifying mindsets, behaviours and skills which are common to social intrapreneurs. Only with the right mindset, appropriate behaviours and skills will individuals be able to deal with current sustainability challenges (Ashridge, 2008; Gioia, 2002). In contrast with previous practitioner studies (Net Impact, 2009; SustainAbility, 2008) which have focused on the lifespan of the *projects* of social intrapreneurs we therefore took as our unit of analysis the personal history of the *social intrapreneurs* themselves. We were particularly interested in discovering through our interviews whether there are specific life circumstances (e.g. early exposure to social issues or entrepreneurism; opportunities for skills development) or personality traits (e.g. a consistent tendency to persist in the face of adversity; openness to new experiences) that are common to social intrapreneurs.

We were also interested in discovering whether any of these environmental factors or personal characteristics enhance or diminish a social intrapreneur's chances of guiding a project to a successful conclusion (i.e. producing both positive commercial and social impacts). Hemingway (2005) has suggested that a corporate social entrepreneur will be active, frustrated, conformist or apathetic depending on the interaction between their personal values (collectivist vs. individualistic) and corporate culture (supportive vs. unsupportive). We wanted to explore both the antecedent and contemporaneous events which shape this interaction in greater detail.

Based on our interview data and what we found in the practitioner literature we observed the following ideal types of social intrapreneurs:

Table 1: Types of Social Intrapreneurs

Type of Social Intrapreneur	*Description*
Resigned	Quit their company because of a lack of support for their social intrapreneurial ideas.
Frustrated	Remained within the company, but have given up pushing for social innovation and concentrating on their core job.
Emergent	Starting out with their idea and it is still unclear how the corporate environment will respond.
Quiet	Operating below the corporate radar in order not to attract criticism and objections.
Tolerated	Experimenting with ideas while the company is indifferent or neutral towards their activities.
Embraced	The company is actively encouraging the idea empowering the social intrapreneur.

Our interviews suggest that social intrapreneurs may be some or all of these types at different stages, during the development of their ideas. While the interaction between the social intrapreneur and the corporate environment varies, we observed some stable sets of mindsets, behaviours and skills.

MINDSET

A mindset is defined by the principles and values that shape individual decision-making (Avastone Consulting, 2007; Kohlberg, 1981). The principles and values of the majority of social intrapreneurs we interviewed centre around societal value creation such as preserving nature and serving others.

> "I've been brought up not to waste anything . . .my mum's a cook and my dad's a social worker but they've always had the same interests as me – they like gardening and they've got a book on self sufficiency I found interesting."

* * *

> "I always liked to be involved in projects and wanted to see the fruits. I was inspired by an aunty who was in Sao Paulo and worked in a favela in Monte Azul with child care centres."

* * *

> "I think I have a different mindset – possibly because I have had such a varied career."

Several of our subjects reported having early experiences of nature – whether by the sea, in the countryside or on farms - which kindled an interest in, and often a desire to preserve, the natural environment.

> *"Although I was born in London, we then moved to Froom when I was aged 8 – quite a rural town. I spent time in Wales at my grandparents' farm – so had a dual urban and countryside upbringing. I've always loved the countryside. I've always been attracted to the idea of being self-sufficient which has evolved into sustainability."*

* * *

> *"There was my immediate family and my half sister's family on a smallholding in Cornwall. . . On a smallholding you see where your food comes from. There were influences from there."*

Even later experiences can awaken an awareness of nature and the interdependence of people and their environment:

> "Apart from a two-week exchange in France, I hadn't travelled at all. Then I was living in the jungle in India – living right up against nature in its raw and beautiful form . . . humanity is there in three dimensions, floodlit every day. It was huge – and realising we are all human beings – different from home – realising dependency and balance with the environment. My thinking about society and the environment goes back to that year."

However, social intrapreneurs have overcome the traditional dichotomy of thinking either in business or in societal terms. Many of our interviewees struggled with a corporate environment which either placed their ideas in a philanthropy or business field. They, however, integrate both ideas (Porter and Kramer, 2002) and are able to express those with business and societal indicators.

> "There was a long-term relationship. I could present that in a business framework. This isn't about making money but it's not about philanthropy, either. This debate went on for months. People presumed this was philanthropy – I said, no, this is about doing good business."

* * *

> "Key lesson? Almost disguise social aspects and present [the project idea] as helping business to grow revenue. You can still talk about sustainability – but emphasise business – then people are happier to talk."

Our interviewees clearly exhibited principles and values oriented around social and environmental care and preservation. One intermediary in the social intrapreneurship environment remarked: "The loyalty of social intrapreneurs is bigger regarding the societal value than to the company." Therefore we describe their mindset as oriented towards societal value creation. However, in contrast to many people working in the non-profit sector social intrapreneurs are able to understand the business value of addressing societal issues and overcame the dichotomy of either profit or societal value.

BEHAVIOURS

Social intrapreneurs demonstrated some dominant behaviours in the way how they became aware of societal challenges as well how they would approach resolving them. Three behaviours were most common: persistency and self-belief, learning, and outreach.

All our interviewees referred to being persistent in following through with their ideas especially when asked what advice they would give to others.

> "Perseverance – there were times when it felt like I was fighting a guerrilla war inside the organisation. Be determined to make happen where you think it right for organisation."

* * *

> "Be resilient and thick-skinned re. [the] cynicism and doubt you will get."

* * *

> "Don't give up – this is where dogged determination comes in. In the early days, I was accused of all sorts by competitors, trade associations, the media. It would have been easy to sweep it [labour issues] under the carpet. [Q: What kept you going?] I was right and they were wrong. I'd seen it and they hadn't."

* * *

> "Be courageous, hold on to your idea even if this is difficult at times. If you can't find the business case for your project – think again and create it."

Also social intrapreneurs exhibited a strong learning orientation mostly expressing an experiential learning experience (Kolb, 1984) which involved trial and error.

> "I loved engineering – I'm a learning junkie – you learn new stuff every day."

* * *

> "It was one of those environments where if you tried something, you could do more of it if you succeeded. From that I decided to do economics at A levels and maths – decided I wanted to go to university and do business. But I wanted to do a sandwich degree – 2 years study, 1 year working, and another year study."

Linked to the learning determination seems the fact that many social intrapreneurs reached out to the communities or environments where they wanted to make a difference.

> "I went out there (India) – got a good tour of all of the areas, tried to turn over as many stones as possible to see what was going on. If you look at social issues, it's easy to be taken round by someone with a vested interest. I had been to places people had never been before – people there said they'd never seen anybody like me before. . . You've got to really understand the issues. It's really easy to say bonded labour is a problem. You've got to visit, understand, deeply analyze what's going on."

* * *

> "I had spent a year travelling into very remote, poor areas – where a dollar a day seems like a lot of money – and I saw then the impact, when I started to pay the farmers for their first crop. I saw the wonderment and relief on the faces of farmers – I realised we did not understand poverty. I felt then that it should be a mandatory requirement of business to think about this approach – it allowed families to create income. I felt proud – [the company] is a pioneer – we should now be promoting this to other companies on the international stage."

* * *

> "In Rwanda I watched the forest walk backwards day by day, watching water in the lake drop inch by inch as water was taken for drinking. It goes back to my time in India, the whole business of mankind's balance with nature. Part of the world, the developed world has produced amazing things and is obsessed by consumerism, yet there are billions of people without. We have one global society floating on one shining blue planet floating in the cosmos. That was the beginning of the end of mainstream engineering for me."

Some of the social intrapreneurs were also sent to a local environment for business reasons and experienced their epiphany moment during their visit, realizing the potential for societal value creation.

In sum, social intrapreneurs behaviour can be characterized as being persistent and having a learning orientation. The learning extends to really understand the social or environmental issues social intrapreneurs want to address and this often involves visiting the areas and communities where they want to make a difference.

SKILLS

Skills are also called talents and describe learned capacity to perform a task with a minimum outlay of time and energy. The common skills we recognized with social intrapreneurs were entrepreneurship and communication – both together created the necessary trust social intrapreneurs needed to earn in order to pursue their ideas internally.

Many of our interviewees honed their entrepreneurial skills at an early age, learning how to sell goods and services and to address client needs.

> "From age 15, we all had jobs – greengrocer, gas station, started making dresses for friends. So quite young we learned you could earn money and use it to do what you wanted to do."

* * *

> "While I was in school, I had a part-time job on a market stall – sold pots and pans, M&S seconds, fabric – that whole commerce side of things really. I enjoyed it and it attracted me. So from an early age – 12, 13, 14 – I was learning about making money and being entrepreneurial."

Marketing and communication skills appeared to help several of our subjects build a business case for their project and engage the support of others.

> "Whilst I was there I got more interested in marketing – really understanding what consumers needs and wants were – understanding customer/consumer dynamics."

Other specialist technical skills in fields such as IT and engineering appear to have aided a number of our subjects in preparing an in-depth business case for action, designing or implementing a project.

Social intrapreneurs also appear skilled at working in partnership with other organisations. This can be key to establishing credibility and gaining expertise needed for building the business case for action on social/environment issues and to implement, or provide external validation for, social innovation programmes.

Our interviewees reported numerous collaborative relationships with NGOs, educational institutions and even commercial organisations as benefiting their projects in various way (see Table 2 for examples quoted).

> "Work with NGOs ensured quality market research – probably the most extensive quality market research done into that business segment in India. Indian management went to stay with villagers to understand them."

* * *

> "Everything I do is checked by an accredited third party. If you get caught through greenwash, the damage is massive."

Table 2: Partners

Partner(s)
GTZ
University of Birmingham
Internal partners (Mark Lacy (Sustainability), Mark Purdy (High Performance Institute)
Late C K Prahalad (U of Michigan professor and business guru)
SecondNature
Forum for the Future
Hadoti Hast Shilp Sansthan (Indian NGO providing welfare services); Media partners (Guardian and Daily Telegraph)
Microenergy International
WWF Australia

These entrepreneurial as well as communication skills combined with a deep knowledge of their business helped them to gain the trust of their employer. This trust then was considered essential for the necessary leeway to experiment with new ideas; and to gain the support of key corporate decision-makers who determine strategy and have the power to invest resources in social innovation projects. Social intrapreneurs have an ability to find and inspire champions to give air-cover and sponsors to sanction resources.

> "I was lucky – I had two or three senior directors who believed in me. One I'd worked for ten years – he knew me as a character – knew [this person] doesn't set herself up for failure."

*   *   *

> "In the early days it was fair to say that they just let me get on with it. The trust I'd built up with the other directors meant they trusted my judgement. It takes a lot of personal passion and commitment and convincing."

*   *   *

> "Managers have always given me leeway because they know I deliver."

Trust is linked to a general tolerance of experiments which has been cited as a feature of long-lived companies (de Geus, 1997) and those which are generally innovative (Moss Kanter, 1983).

Social intrapreneurs clearly have entrepreneurial and marketing skills. They know what people want and how to address their demands profitably. At the same time these skills help them to generate the trust necessary to embark on new ideas with the support of senior executives.

DISCUSSION

Our research shows initial signs that social intrapreneurs are currently an under-exploited category of change agents which possess a particular mindset, as well as behaviours and skills. External groups such as NGOs as well as business schools might help social intrapreneurs to succeed with their ideas thus leveraging social impact.

Schwartz and Gibb (1999) classify NGOs according to their interactions with corporations which go from adversarial campaigning to partnerships. A logical extension of a partnership approach would be collaboration with social intrapreneurs. Some of our interviewees already collaborated with NGOs in the realization of their projects.

> "Work with NGOs ensured quality market research – probably the most extensive quality market research done into that business segment in India. Indian management went to stay with villagers to understand them."

*   *   *

> "Everything I do is checked by an accredited third party. If you get caught through greenwash, the damage is massive."

Where companies have already embraced social intrapreneurship, NGOs might help with market research, awareness-raising sessions with employees, hosting field-visits and providing technical support under contract with the company. Where a company has yet to move beyond compliance or risk-minimisation stages of corporate responsibility (Zadek, 2004), the NGO may be more productive by encouraging any members of the NGO working inside large companies, to consider practising their commitment to the goals of the NGO at their place of employment. This could include becoming a social intrapreneur as well as "close relatives" such as tempered radicals (Meyerson, 2001).

Business schools also provide an environment which caters for the social intrapreneurs' learning needs. Our interviews clearly demonstrate that there is a demand for programmes on social innovation, social intrapreneuring, as well as change management.

> "I've always carried on with continuing professional development – did an IOD diploma in Company Direction, became a chartered director – the triple bottom line really struck a chord. This was something I came to at university – probably only 20 years ago that people started to talk about it in the mainstream."

Some of our interviewees participated in Bath University's Masters program in "Responsibility and Business Practice"17 where they learnt how to think business and responsibility together. Others currently participate in Aspen Institutes' First Mover Programme which "serves as an innovation lab for exceptional individuals in business today who are implementing breakthrough strategies to create profitable business growth and positive social change." 18

Such programs appear to fulfil a number of roles such as mutual support and reassurance; contacts and access to technical expertise; capacity building and problem-solving; mentoring and career support; awareness-raising about sustainability issues and possible solutions; and technical and soft-skills training.

An increasing number of business schools now offer courses to MBA and other Masters' degree students in social entrepreneurship, social innovation and how to be a change-maker. Stanford's Center for Social Innovation within the Graduate School of Business for example, offers MBA students the chance to focus on social and environmental leadership during their MBA by providing "courses and activities designed to build knowledge in areas such as nonprofit management, public policy, sustainable business practices, social entrepreneurship, cross-sector collaborations, and the role of each sector in creating social and environmental value."[19]

INSEAD runs a change-makers' "boot-camp" weekend, off-campus, early in the MBA program. These types of existing courses offer a ready-made vehicle to present the idea of social intrapreneurship and to explain that being a social intrapreneur is one of a range of ways to be a change-maker for sustainable development. The Pears Foundation Business School Partnership involving three leading UK schools: Cranfield, LBS and Saïd Business School at Oxford aims to show MBA and other students the variety of ways that successful people can contribute to the public good at different stages in their career.

CONCLUSION

The key research questions this paper aimed to address were:

1. How do social intrapreneurs generate social innovation and change?
2. What are their personal characteristics?
3. How can external institutions such as NGOs and academic centres support their projects and personal development?

Social intrapreneurs generate social innovation and change by leveraging their organization's capabilities to address societal issues profitably. They are characterized by a mindset which strives for societal value creation in a way that is attractive to business. They pursue societal value creation in a persistent, learning and outreaching behaviour and apply skills of entrepreneurship and communication. Social intrapreneurs collaborate with NGOs in order to generate societal impact and obtain missing knowledge and skills at business schools.

This first empirical paper on the phenomenon of social intrapreneurs has shed some light on the personal characteristics of the social intrapreneur, their potential typology as well as the social impact of their projects. Social intrapreneurs seem to blend characteristics of traditional intrapreneurs (Pinchot, 1985; Pinchot and Pellman, 1999) as well as social entrepreneurs (Elkington and Hartigan, 2008; Haugh, 2007; Martin and Osberg, 2007) in order to create social innovation.

The limitations of this research are its qualitative approach with a broad field as well as the limited amount of data available. The interviews conducted aimed to discover and describe a new phenomenon

[17] (now relocated to the Ashridge Management School – also in UK)
[18] See http://www.aspeninstitute.org/policy-work/business-society/corporate-programs/first-movers-2010 (accessed 12.02.2010).
[19] See http://csi.gsb.stanford.edu/education-programs (accessed 02.02.2010).

and therefore did not get into the details of social innovation and organizational change. Future research might explore more rigorously specific chains of causality between the social intrapreneur's life history (early influences, values, personality characteristics, career choices), the enabling corporate environment and outcomes for both the social innovation project (successful vs. unsuccessful) and the social intrapreneur (empowered vs. frustrated). Particularly useful would be studies on the measurement and development of the societal impacts generated, how social intrapreneurs overcome the dichotomy of either business or philanthropic benefits as well as the question of what an ideal enabling corporate environment would look like.

Despite the limitations of our qualitative analysis of social intrapreneurship we are confident in outlining some implications for practice. Corporations interested in social intrapreneurship should be thinking of providing a good environment in which social intrapreneurs can develop and test their ideas. What seem to be crucial for their success are senior management sponsorship, an understanding how business and society can be thought together and some room for experimentation. NGOs are invited to explore their membership for potential social intrapreneurs in order to leverage corporate activities to the benefit of society. Likewise business schools have a role to play in order to inspire and train social intrapreneurs especially on the entrepreneurial as well as communication skills they need to succeed.

In general the phenomenon of social intrapreneurs might be a visible sign of people looking for ways to reconcile their social and working lives.

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CONCEPTIONS OF SOCIAL ENTERPRISE AND SOCIAL ENTREPRENEURSHIP: WHERE IS THE AUSTRALIAN DEBATE LOCATED?

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INTRODUCTION

Whereas a dozen years ago the concepts of "social enterprise", "social entrepreneurship" and "social entrepreneur" were rarely discussed, they are now making amazing breakthroughs. In Europe, the concept of social enterprise made its first appearance in 1990, at the very heart of the third sector, following an impetus which was first an Italian one and was closely linked with the co-operative movement. 16 European countries have passed new laws to promote social enterprises. In the United States, the concepts of social entrepreneur and social enterprise also met with a very positive response in the early 1990s. In 1993, for instance, the Harvard Business School launched the "Social Enterprise Initiative".

Major universities have developed research and training programs. International research networks have been set up, like the EMES European Research Network, which has gathered, since 1996, research centres from most countries of the EU-15, and the Social Enterprise Knowledge Network (SEKN), which was formed in 2001 by leading Latin-American business schools and the Harvard Business School. Discussions began to develop within the world-wide University Network for Social Entrepreneurship. Various foundations have set up training and support programs for social enterprises or social entrepreneurs. Over the past decade, there has been growing interest in Australia too from governments (federal, state and local), business, the third sector and foundations in search of innovative responses to tackle social and environmental problems and for diversification of income sources to sustain them (Barraket et al., 2010).

However, what is striking is the fact that behind flags such as social enterprise and social entrepreneurship, different conceptions coexist (Defourny, Nyssens, 2010)[20]. What seem really at stake beyond conceptual debates are the place and the role of social enterprise within the overall economy and its interaction with the market, civil society and public policies.

In this context, in the first part of this paper, we present the different conceptions which structure the debate and the contexts in which those concepts took root. This presentation paves the way for the second part, in which we analyze the conceptual convergences and divergences among the different schools and the way the Australian debate is articulated to them. For that purpose, we rely on the results of the final report of the FASES research (Barraket et al., 2010). The aim of "Finding Australia's Social Enterprise Sector" was to identify the range and the scope of social enterprises in Australia. This report seems to be pioneering in identifying this growing field.

[20] The typology of the paper of Defourny and Nyssens, 2010 has been extensively used for the purpose of this paper but it has been updated and modified according to recent debates.

THE DIFFERENT CONCEPTIONS OF SOCIAL ENTERPRISE AND SOCIAL ENTREPRENEURSHIP

To classify the different conceptions in the field of social enterprise and social entrepreneurship, Dees and Anderson (2006) have proposed to distinguish two major schools of thought. The first school of thought on social entrepreneurship refers, at least initially, to the use of commercial activities by non-profit organizations in support of their mission. Organizations like Ashoka fed a second major school, named by Dees and Anderson, the "social innovation" school of thought. Defourny and Nyssens (2010) have suggested, based on the European research debate, the addition of a third school “the EMES European approach of social enterprise”. In the following section, we adapt this threefold typology according to the recent debates around the various conceptions of social enterprise and social entrepreneurship. Let’s underline that if these various conceptions are rooted in specific geographical and historical contexts, they are nowadays crossing frontiers and oceans and therefore coexist, to some extent, at a worldwide level.

The earned income school

The first school of thought, which set the ground for conceptions of social enterprise mainly defined by earned-income strategies, refers, at least in its initial phase, to the use of commercial activities by non-profit organizations in support of their mission. These earned-income strategies have been extended beyond solely nonprofit organizations. For this reason, we distinguish, within this school, different approaches: the commercial nonprofit approach, the social businesses approach and the blended value approach.

The commercial nonprofit approach

In a first generation of the earned income school, the bulk of publications, mainly US rooted, were mainly based on nonprofits’ interest to become more commercial.

As summarized by Kerlin (2006), although such behaviour can be traced back to the very foundation of the US when community or religious groups were selling homemade goods or holding bazaars to supplement voluntary donations, it gained a particular importance in the specific context of the late 1970s and 1980s. Indeed, when the federal government launched the Great Society programs in the 1960s, a significant share of the huge funds invested in education, health care, community development and poverty programs was channelled through nonprofits operating in these areas, instead of being managed by an enlarged public bureaucracy. Such a strategy of course strongly supported the expansion of existing nonprofits as well as the creation of many new ones. However, the downturn in the economy in the late 1970s led to welfare retrenchment and to important cutbacks in federal funding (Salamon, 1997). Nonprofits then began to expand their commercial activities to fill the gap in their budget through the sale of goods or services not directly related to their mission. Typical of this early stage was the creation in 1980 of New Ventures, the most prominent of the consulting firms that emerged then to offer their services to nonprofits interested in exploring business ventures. Such a trend was strengthened by the blooming of institutions, initiatives and consulting practices to support this new "industry" along the 1990s. Moreover, the National Gathering of Social Entrepreneurs, promoted by a few thought leaders in 1998, greatly helped this emerging community of practitioners and consultants to reach a critical mass.

This literature could be described as "prescriptive", as it focused on strategies for starting a business that would earn income for a nonprofit organization (Massarsky, 2006). Skloot (1983, 1987), one of the consultant firm’s key founders, made important contributions to the analysis of commercial activities that were "related but not customary to the (non-profit) organization" and that could help diversify its funding base. Among social scientists, Crimmings and Kiel (1983) may have been the first who systematically surveyed such practices and analyzed their factors of success.

In the late 90s, the National Gathering, a central player in the field, became the Social Enterprise Alliance, which defined social enterprise as "any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission".[21]

Dees and Anderson (2006, p. 41) reluctantly proposed to call that first school, which strongly dominates outside academia, the "social enterprise school of thought". Defourny and Nyssens (2010) choose to follow their comments, stressing that they prefer using the term "social enterprise" more broadly, to refer to undertakings with a significant social purpose. In such a perspective, they named that first school the "earned income" school of thought.

The "social business approach"

Inside this "earned income" school, the term "social enterprise" has been also used to embrace, more and more, a wider set of organizations, including for-profit companies.[22] Haugh and Tracy (2004) define social enterprise as "a business that trades for a social purpose".[23] Regarding the trading aspect, Alter (2002) and Nicholls (2006) go even further along the same line, when reserving the term "social enterprise" to fully self-funded organizations. Moreover, for some authors such as Emerson and Twersky (1996), the business approach can't be reduced to the sole market orientation but must be enlarged to a broader vision including business methods as a path towards achieving increased effectiveness (and not just a better funding) of social sector organizations.

Social enterprises are, for these authors, still businesses primarily driven by social objective, as is the case in the "commercial nonprofit approach": However two characteristics differentiate this approach compared to the latter: the legal form which is no longer restricted to nonprofit organizations and fully market-based funding. These elements are those advanced by Yunus (2010), an emblematic figure in this debate, when he defines a "social business".

For Yunus social businesses are owned by investors aiming to help others without taking any financial gain themselves. Any surplus is invested in expansion of the business or for increased benefits to society. This characteristic can be seen as a sign of the primacy of the social mission. At the same time, the social business generates enough income to cover its own costs. "A social business is a non-loss, non-dividend company dedicated entirely to achieving a social goal" (Yunus, 2010). As this social business concept is gaining importance in the social enterprise debate, we propose to name this second approach "the social business". The case of the association between Grameen Bank, the well know microfinance bank targeted at poor rural women in Bangladesh, with the Danone company is often cited as en emblematic case of a social business. This company provides yoghurt to very low income individuals in Bangladesh. Of course, one could argue that even if it is a non-dividend company, the symbolic return for a company such as Danone could be quite important and indirectly has impact on its economic return. This leads us to the third and last approach inside this "earned income school".

The "blended value business approach"

In these two previous approaches, the enterprises are still mission driven companies even if they can adopt a for-profit legal form. In both cases, the fact that surpluses are not distributed to shareholders could be seen as a strong signal of this social mission. By contrast, in this third approach, we propose to label the "blended value approach", a double-bottom-line vision is stressed through the creation of a "blended value" in an effort to really balance and better integrate economic, social and environmental purposes (Emerson, 2006). In this view, investors simultaneously look for different kinds of return:

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[21] As the Social Enterprise Alliance defined the social enterprise on its website (www.se-alliance.org) for a long period of time. Social enterprise is now defined as follows on its homepage: "An organization or venture that advances its social mission through entrepreneurial, earned income strategies. This vision is also found for example in the various programs of the NESsT (Nonprofit Enterprise and Self-sustainability Team).

[22] For instance, the Hass School of Business at UC-Berkeley. See also Boschee (1995) and Austin (2000), the latter stressing particularly partnerships between nonprofits and for-profit companies.

[23] As quoted by Mair and Marti (2006).

economic, social and environmental: “social entrepreneurship and social enterprise used to refer to activities whether for-profit or not-for-profit that seek to create and then manage venture capable of pursuing social, environmental and economic value” (Emerson, 2006:391). This concept of blended value could be linked to the “tripe bottom line” (Elkington, 1997) and its various derivatives such as “Triple-E” (economy, environment, equity) or “3P” (people, planet, profit). In this vein, various activities undertaken by for-profit firms to assert their corporate social responsibility are considered, by some authors, as part of the spectrum of social entrepreneurship (Boschee, 1995 and Austin, 2000). According to the "Social Enterprise Knowledge Network", a short-term project with a social value undertaken by a for-profit enterprise or a public body can be considered as a social enterprise. For this network, formed by leading Latin-American business schools and the Harvard Business School, "any kind of organization or undertaking engaged in activities of significant social value, or in the production of goods and services with an embedded social purpose, regardless of legal form" (Austin et al., 2004: xxv), can be considered as a social enterprise. From this perspective, assessing the real weight of social concerns in the mission of the enterprise becomes more difficult.

In this approach, the owners may also look for financial return on their initial investment which is not the case in the two previous approaches. In the “the commercial nonprofit approach”, there are no individual owners; the ownership could be considered as collective as there are, by law, no residual claimants (non distribution constraint). In the social business approach, there are owners but they renounce any remuneration from their shares; they can just retrieve them when they want at their nominal value.

The "social innovation" school of thought

Based on a broader vision of entrepreneurship, the second root of the debate in the field of social innovation and social entrepreneurship can be traced back to B. Drayton and Ashoka, the organization he founded in 1980, as its primary driving forces. The mission of Ashoka was (and still is) "to find and support outstanding individuals with pattern setting ideas for social change".[24] Ashoka focuses on the profiles of very specific individuals, first referred to as public entrepreneurs, able to bring about social innovation in various fields, rather than on the forms of organisation they might set up. Various foundations involved in "venture philanthropy", such as the Schwab Foundation and the Skoll Foundation, among others, have embraced the idea that social innovation is central to social entrepreneurship and have supported social entrepreneurs.

This second school puts the emphasis on social entrepreneurs in the Schumpeterian meaning of the term, in a perspective similar to that adopted earlier by the pioneering work of Young (1986). Dees (1998:4) has proposed the best known definition of social entrepreneurs. He sees the latter as "playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created".

Along such lines, social entrepreneurs are change makers as they carry out "new combinations" in at least one the following areas: new services, new quality of services, new methods of production, new production factors, new forms of organizations or new markets. Social entrepreneurship is more a question of processes, outcomes and social impact (Mulgan, 2007, Murray et al., 2010) rather than a question of incomes as it is in the “earned income” school.

From an outcome point of view, social innovation is aiming at answering pressing social demands. Growing socio-economic disintegration has triggered the return of social innovation as a remedy to the emergence of the growing exclusion of some social groups (Moulaert, 2007). However, social innovation does not always address an unsatisfactory social situation (unemployment, insecurity, etc.) but it can also

[24] Drayton and MacDonald (1993:1).

be an answer to a social ideal or aspiration for a different society (more egalitarian, more environment-friendly, etc) (Lévesques, 2001). Moreover the value created by a new solution is not primarily captured by individuals or companies for their own personal profit but rather by other types of stakeholders: "many innovations tackle social problems or meet social needs, but only for social innovations is the distribution of financial and social value tilted toward society as a whole" (Phills et al., 2008: 39). According to this view, social innovation is predominantly developed and diffused through organizations whose primary purposes are social (Mulgan, 2007).

The process of social innovation rests on the involvement of a wide variety of stakeholders (Murray et al., 2010). In this dynamic of multiple stakeholders, users themselves seem to play a crucial role by engaging and empowering them. Moreover, this process, most often, involves a complex network of formal and/or informal partnerships blurring the traditional boundaries between sectors. Although many initiatives of social entrepreneurs result in the setting up of nonprofit organizations, most recent works of this social innovation school tend to underline social innovation dynamics within the private for-profit sector and the public sphere as well and also cross-sectors undertakings (Phills et al., 2008; Mulgan, 2007). Finally, the systemic nature of innovation brought about and its impact at a broad societal level are often underlined through a process of scalability (Kramer, 2005, Martin & Osberg, 2007).

The divergence between the "social innovation" school and the "earned income" school should not be overstated, though. Viewing social entrepreneurship as a mission-driven business is increasingly common among business schools and foundations which foster business methods more broadly, not just earned-income strategies, as a path towards social innovation.

The EMES European approach of social enterprise

In Europe, the concept of social enterprise made its first appearance in 1990 with the identification of entrepreneurial dynamics at the very heart of the third sector, which arose primarily in response to social needs that had been inadequately met, or not met at all, by public services or for-profit enterprises. The persistence of structural unemployment in many European countries, the need to reduce state budget deficits and the need for more active integration policies raised the question of how far the third sector could help to meet these challenges. Social actors, such as social workers and associative militants, were facing a lack of adequate public policy schemes to tackle the increasing exclusion of some groups (such as the long-term unemployed, low-qualified people, people with social problems, etc.) from the labour market or more generally from society.

According to European tradition (Evers and Laville, 2004), the third sector brings together cooperatives, associations, mutual societies and increasingly foundations, or in other words, all not-for-profit organizations (organizations not owned by shareholders) that are labeled the "social economy" in some European countries (Defourny, 2001).

The concept of "social enterprise" as such seems to have first appeared in Italy, where it was promoted through a journal launched in 1990 and entitled Impresa Sociale. In the late 1980s indeed, new co-operative-like initiatives had emerged in this country to respond to unmet needs, especially in the field of work integration as well as in the field of personal services. As the existing legislation did not allow associations to develop economic activities, the Italian Parliament passed a law in 1991 creating a new legal form of "social cooperative" which proved to be very well adapted to those pioneering social enterprises.

The remarkable development in Italy also inspired various other countries across Europe during the following two decades. Indeed, several other European countries introduced new legal forms reflecting the entrepreneurial approach adopted by this increasing number of "not-for-profit" organizations, even though the term of "social enterprise" was not always used as such in the legislation (Defourny, Nyssens, 2010). 16 new laws can be identified across European countries (Roelandts, 2009). In many European countries, beside the creation of new legal forms or frameworks, the 1990s saw the development of specific public programs targeting the field of work integration. Social enterprises may be active in a wide spectrum of activities, as the "social purpose" they pursue may refer to many different fields. However, since the mid- 1990s, one major type of social enterprise has been dominant across Europe, namely "work integration social enterprises" (WISEs). The main objective of work integration social enterprises is to help low-qualified unemployed people who are at risk of permanent exclusion from the labour market and to integrate these people into work and society through a productive activity. This has even led, in several cases, to the concept of social enterprise being systematically associated with such employment creation initiatives.

As early as 1996, i.e. before most of the European public policies were launched, a major research program funded by the European Commission was undertaken by a group of scholars coming from all EU member states. Named the EMES European Research Network,[25] that group first devoted itself to the definition of a set of criteria to identify organizations likely to be called "social enterprises" in each of the fifteen countries forming the EU by that time.

The EMES approach derives from extensive dialogue among several disciplines (economics, sociology, political science and management) as well as among the various national traditions and sensitivities present in the European Union. Moreover, guided by a project that was both theoretical and empirical, it preferred from the outset the identification and clarification of indicators over a concise and elegant definition with an aim to identify entrepreneurial dynamics, at the very heart of the third sector among the diverse European socio-economic contexts (Borzaga, Defourny, 2001).

[25] The letters EMES stand for *"EMergence des Enterprises Sociales en Europe*" – i.e. the title in French of the vast research project carried out from 1996 through 2000 by the network. The acronym EMES was subsequently retained when the network decided to become a formal international association. See www.emes.net

To reflect the economic and entrepreneurial dimensions of initiatives, four criteria have been put forward:

- **A continuous activity producing goods and/or selling services**. Social enterprises, unlike some traditional nonprofit organizations, do not normally have advocacy activities or the redistribution of financial flows (as, for example, many foundations) as their major activity, but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.
- **A high degree of autonomy**. Social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. They may depend on public subsidies but they are not managed, be it directly or indirectly, by public authorities or other organizations (federations, private firms etc.). They have both the right to take up their own position ("voice") and to terminate their activity ("exit").
- **A significant level of economic risk.** Those who establish a social enterprise assume totally or partly the risk inherent in the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.
- **A minimum amount of paid work**. As in the case of most traditional nonprofit organizations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

To encapsulate the social dimensions of the initiative, five criteria have been proposed:

- **An explicit aim to benefit the community**. One of the principal aims of social enterprises is to serve the community or a specific group of people. From the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at the local level.
- **An initiative launched by a group of citizens**. Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in one way or another, even though the importance of leadership - often embodied by an individual or a small group of leaders – must not be neglected.
- **A decision-making power not based on capital ownership**. This criterion generally refers to the principle of "one member, one vote" or at least to a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Although the owners of capital are important when social enterprises have equity capital, the decision-making rights are generally shared with the other stakeholders.
- **A participatory nature, which involves various parties affected by the activity**. Representation and participation by users or customers, influence of various stakeholders on decision-making and a participative management are often important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at the local level through economic activity.
- **A limited profit distribution**. Social enterprises not only include organizations that are characterized by a total non-distribution constraint, but also organizations which - like co-operatives in many countries - may distribute profits, but only to a limited extent, thus allowing a profit-maximizing behaviour to be avoided.

Source : Defourny (2001: 16-18)

Such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an "ideal-type" in Weber's terms, i.e. an abstract construction that enables researchers to position themselves within the "galaxy" of social enterprises. In other words, they constitute a tool, somewhat analogous to a compass, which helps the researchers locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply. Those indicators allow identifying brand new social enterprises, but they can also lead older organizations being reshaped by new internal dynamics being designated as social enterprises.

While stressing a social aim embedded in an economic activity as in the two previous schools, the EMES approach differs mainly from them by stressing specific governance models (rather than the profile of social entrepreneurs) which are often found in European social enterprises and may be analyzed from two perspectives. First, a democratic control and/or a participatory involvement of stakeholders reflect a quest for more economic democracy inside the enterprise, in the line of the tradition of cooperatives which represent a major component of the third sector/social economy in most European traditions. Combined with constraints on the distribution of profits this can be viewed as a way to protect and strengthen the primacy of the social mission in the organization. Secondly, those two combined guarantees also act as a "signal" allowing public authorities to support social enterprises and the scaling up of social innovation in various ways (legal frameworks, public subsidies, fiscal exemptions, etc.). Without such guarantees (often involving a strict non-distribution constraint), the risk would be greater that public subsidies just induce more profits to be distributed among owners or managers. In turn, such public support often allows social enterprises to avoid purely market-oriented strategies, which, in many cases, would lead them away from those who cannot afford market prices and nevertheless constitute the group they target in accordance with their social mission.

The first research carried out by the EMES network also presented an initial attempt to outline a theory of social enterprise: an "ideal-typical" social enterprise could be seen as a "multiple-goal, multi-stakeholder and multiple-resource enterprise" (Borzaga, Defourny, 2001). These theoretical features paved the way for another major research program. Although social enterprises are active in a wide variety of fields, including personal social services, urban regeneration, environmental services, and the provision of other public goods or services, EMES researchers decided to focus on work integration social enterprises (WISEs), with a view to allowing meaningful international comparisons. On such a basis, they made an inventory of the different existing types of social enterprise in the field of on-the-job training and work integration of low-qualified persons in order to test empirically the ideal-typical social enterprise (Nyssens, 2006).

CONVERGENCES AND DIVERGENCES WITH THE AUSTRALIAN DEBATE

We have now the building blocks to analyze the divergences and convergences between the different schools and the Australian debate on social enterprise. For that purpose, we choose to analyse the results of the final report of the FASES research (Barraket et al., 2010). The aim of "Finding Australia's Social Enterprise Sector" was to identify the range and the scope of social enterprises in Australia. In the context of the growth in interest in Australia in social enterprise, this report seems to be pioneering in identifying this field. There are other reports available (McNeill, 2009, Foresters Community Finance, 2010) among others. We choose to rely on the FASES report as it has been the result of a large consultation among the key stakeholders in the field of social enterprises. For the purposes of this study, social enterprises have been defined after discussion with the key stakeholders of the field as (Barraket et al., 2010:16):

> "organisations that:
>
> a. are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
>
> b. trade to fulfil their mission;
>
> c. derive a substantial portion of their income from trade; and
>
> d. reinvest the majority of their profit/surplus in the fulfilment of their mission"

Based on this definition, 4460 organisations were identified and invited to fill in an online survey. A total of 539 participants began the survey and 365 have been retained as valid. What do we learn through this survey and how these results help us to locate the Australian debate in the galaxy of the concepts of social enterprise and social entrepreneurship?

The social dimension

For all the schools of thought, the explicit aim to benefit the community or the creation of "social value", rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprises. For "the blended value approach", as social return coexisting with economic return for shareholders, a social project, even if this activity remains marginal in the firm's overall strategy, may lead some authors to consider this as belonging to the wide spectrum of social entrepreneurship.

The first criteria of the FASES definition underlines that social enterprises are led by a mission consistent with a public or community benefit[26]. A specific question was asked in the survey to filter out the organisations that indicated they exist primarily to generate financial benefits for the owners.

This centrality of the social mission generally implies a limitation to the power and prerogatives of shareholders by restrictions regarding the distribution of profits. According to the EMES criteria, the field of social enterprises includes organizations that are characterized by a total non-distribution constraint and organizations which may distribute profits but to a limited extent, thus avoiding profit-maximizing behaviour. European legal frameworks reduce the power of social enterprises' shareholders by prohibiting[27] or limiting[28] the distribution of profits. The "commercial nonprofit approach" (within the "earned income" school of thought) explicitly locates social enterprise in the field of nonprofit organisations, i.e. entities whose surplus is entirely retained by the organization for the fulfilment of its social mission. The social business approach relies on "non dividend' company. For the "social innovation school of thought", social enterprise may adopt any kind of legal frameworks. Therefore distribution of surplus to shareholders is not prohibited or limited as such. In the "blended value approach", the search for profit in order to remunerate the owners is part of the mission of the enterprise alongside the search for social or/and environmental impact.

What about the FASES results ?

> "Participants were asked if and how they reinvested their profits/surplus in their mission. The large majority of participating social enterprises (86.6%) reported being not for profit organisations. It is therefore assumed that they reinvest all surplus in their organisation. Of those profit distributing organisations (N=43), 63.2% reported reinvesting all their profits/surplus in the fulfilment of their mission, whilst 10 (23.7%) invested 50% or more and five (13.2%) reinvested 50% or less profits/surplus in their missions*29*… Most organisations (90.1%) reported that they invested profits/surplus back into growing their enterprise, while a small minority donated to external organisations (14.7%), returned profits back to parent or auspice organisation (10.6%), or distributed surplus to members (5.6%).". Barraket et al., 2010:27).

These results are consistent with the findings regarding the legal status of the Australian social enterprises. Association (incorporated or unincorporated) was the most frequently cited legal status (55%) followed by company limited by guarantee (24.5%) and co-operative (5.5%). It has to be noted that, most probably, some of the companies limited by guarantee return their surplus to their parent association (11% returned profits back to the parent or auspice organisation). This practice is consistent with the commercial nonprofit approach which promotes the development of for-profit undertakings to generate market income and profits to be allocated for the social mission of the NPO.

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[26] According to this definition, this may include member benefits where membership is open and voluntary and/or benefits that accrue to a subsection of the public that experiences structural or systemic disadvantage Barraket et al., 2010:16).

[27] In Portuguese "social solidarity co-operatives" and Spanish "social initiative cooperatives", any distribution of profit is forbidden.

[28] Distribution of profit is limited by strong rules in Italian "social cooperatives" and Belgian "social purpose companies". The British "community interest company" includes an asset lock which restricts the distribution of profits and assets to its members; the dividend payable on the shares is subject to a cap set by the regulator.

[29] "Based on our operational definition outlined in Section 4.0, those that reinvest less than 50% of their profits/surplus in their mission are not viewed as social enterprise. The five that reported in this way were retained in the sample because all other responses were consistent with the definition of social enterprise utilised here. The small number of organisations that responded in this way does not affect overall data trends." (Barraket et al., 2010:27).

The economic activity

In a rather classical way, most approaches use the term enterprise to refer to the production of goods and/or services. Accordingly, social enterprises, unlike some nonprofit organizations, are normally neither engaged in advocacy, at least not as a major goal, nor in the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity; instead, they are directly involved in the production of goods or the provision of services on a continuous basis.

This characteristic is quite close to the second criteria of the FASES definition of the social enterprise where trade is defined in a very broad way as:

> "the organised exchange of goods and services, including monetary, non-monetary and alternative currency transactions, contractual sales to governments, where there has been an open tender process; and trade within member-based organisations, where membership is open and voluntary or where membership serves a traditionally marginalised social group" (Barraket et al., 2010:16).

However, differences appear between the various schools of thought when considering the nature of this production activity. When speaking of social enterprise in Europe, it appears that the production of goods and/or services does itself constitute the way in which the social mission is pursued. In other words, the nature of the economic activity is closely connected to the social mission: the production process involves low-qualified people if the goal is to create jobs for that target group; if the social enterprise's mission is to develop social services, the economic activity is actually the delivery of such social services, and so on. This type of approach is also found in the social innovation school, which considers that social enterprises implement innovative strategies to tackle social needs through the provision of goods or services. Although the innovative behaviour may only refer to the production process or to the way goods or services are delivered, it always remains linked to the latter, the provision of such goods or services therefore representing the reason, or one of the main reasons, for the existence of the social enterprise.

By contrast, for the "commercial nonprofit approach", the trading activity could be simply considered as a source of income and the nature of the traded goods or services does not really matter as such. So from this perspective social enterprises can develop business activities which are only related to the social mission through the financial resources they help to secure.

In the FASES results, less than 10 % disagree with the fact that *"goods and services they trade in are directly related to their mission"* (question 20). So for the majority of social enterprises, there is a clear alignment between trade and mission. A subset (a bit more than 20%) of organisations seems to trade, foremost, to generate revenue to support their social mission. These organisations consider that their main mission is *"to generate income to reinvest in a charitable service or community activities"* (question 13).

Social enterprises are generally viewed as organizations characterized by a significant level of economic risk. According to the EMES criteria, this means that the financial viability of social enterprises depends on the efforts of their members to secure adequate resources for supporting the enterprise's social mission. These resources can have a hybrid character: they may come from trading activities, from public subsidies or from voluntary resources.[30] Although public opinion tends to associate the concept of economic risk to a market orientation, rigorous definitions, including for instance definitions in EU legislation, see an enterprise as an organization or an undertaking bearing some risk but not necessarily seeking market resources.

This conception appears to be shared to a large extent by the "social innovation" school of thought. Indeed, according to Dees (1998), the centrality of the social mission implies a very specific mix of human and financial resource, and social entrepreneurs explore all types of resources, from donations to

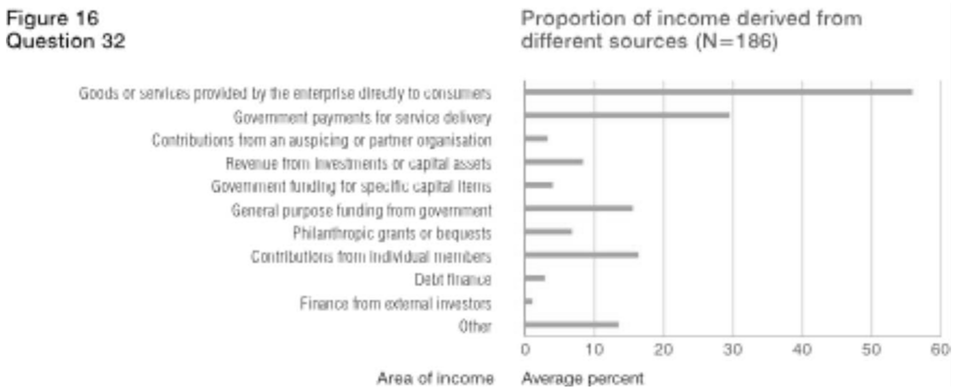
[30] For an empirical analysis of the resource mixes in European work integration social enterprises, see Gardin (2006).

commercial revenues. Bearing economic risks does not necessarily mean that economic sustainability must be achieved only through a trading activity; it rather refers to the fact that those who establish the enterprise assume the risk of the initiative.

By contrast, for the "earned income" school of thought, to be a social enterprise means relying mainly on market resources. For the authors belonging to this school, the economic risk tends to be correlated with the amount or the share of income generated through trade. For the social business approach, social enterprises must be fully funded through the market. This is the approach of a recent Australian report (Foresters Community Finance, 2010) which addresses the question of the financing of the social enterprise as a way of defining social business.

The starting definition if the FASES project includes the following criteria: *« derive a substantial portion of their income from trade »*[31]. So at least in the conception of social enterprise, economic risk seems to be correlated to the share of income from trade defined in a quite extensive way as explained before. Other Australian reports share this conception (Foresters Community Finance, 2010) or underline the mixture of income (grant, subsided income and earned income) (McNeill, 2008). So it seems that this issue is a matter of debate.

The FASES results show that market resources (price paid by individual consumers and government contracts) represent more than 85% of financial inputs of the organizations in the survey. However, this graph only represents the monetary incomes. The Australian social enterprises also rely on volunteers (the median is 10 volunteers and 4 full time equivalent paid workers by organization) and in-kind contributions.



Source: FASES (Barraket et al., 2010:28)

The governance structure

Social enterprises across Europe are mainly embedded in the third sector tradition, having always been associated with a quest for more democracy in the economy. As a result, the governance structure of social enterprise has attracted much more attention in Europe than in the United States, as shown by the EMES approach as well as by various public policies promoting social enterprises across Europe. As the governance structure can be seen as the set of organisational devices that ensure that the organisation's mission is pursued, it can be analysed along several dimensions.

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[31] "Operationalised as 50% or more for ventures that are more than five years from start-up, 25% or more for ventures that are three to five years from start-up, and demonstrable intention to trade for ventures that are less than two years from start-up" (Barraket et al., 2010:16)

First, the ideal-typical social enterprise defined by EMES is based on a collective dynamic and the involvement of different stakeholders in the governance of the organization. The various categories of stakeholders may include beneficiaries, employees, volunteers, public authorities, and donors, among others. They can be involved in the membership or in the board of the social enterprise, thereby creating a "multi-stakeholder ownership" (Bacchiega and Borzaga, 2003). Such a multi-stakeholder ownership is even recognized or required by national level legislation in various countries (Italy, Portugal, Greece and France).[32] Stakeholders can also participate through channels that are less formal than membership, such as representation and participation of users and workers in different committees in the everyday life of the enterprise. In many cases, indeed, one of the aims of social enterprises is to foster democracy at the local level through economic activity. To that extent, this approach to social enterprise remains clearly in line with and rooted in third sector literature, especially that part of it focusing on community development. This emphasis on collective dynamics contrasts with the one put on the individual profile of social entrepreneurs and their central role, especially in the social innovation school.[33]

In the definition proposed in the FASES project, if there are criteria regarding the primacy of the social dimension, associated with a condition of reinvestment of the majority of surplus and regarding the importance of trade, nothing is said about the governance structure.

However, we can find interesting information in the survey itself regarding the involvement of stakeholders. The extent to which beneficiaries are involved in the formal and informal decision making of the enterprise is reported as mixed. Member-based organisations are more likely than non-member based organisations to agree that their beneficiaries are involved in decision-making.

Response to statement: Our beneficiaries are formally involved in the decision-making associated with our enterprise

Organisations	*Highly disagree/ disagree*	*Neutral*	*Highly agree/ agree*
Member-based	36%	22%	37%
Not member-based	52%	29%	19%

Source: FASES (Barraket et al., 2010:30)

Response to statement: Our beneficiaries are informally involved in the decision-making associated with our enterprise

Organisations	*Highly disagree/ disagree*	*Neutral*	*Highly agree/ agree*
Member-based	22%	25%	53%

32 In Italian social cooperatives, workers are members of the cooperative and disadvantaged workers should be members of the B-type cooperative that employs them, if this is compatible with their situation. The statutes may also foresee the presence of volunteers in the membership. In Portuguese "social solidarity co-operatives", users and workers must be effective members. In French "collective interest co-operative societies", at least three types of stakeholders must be represented: workers, users and at least a third category, defined according to the project carried out by the cooperative. As to Greek social co-operatives, they are based on a partnership between individuals of the "target group", psychiatric hospital workers and institutions from the community, and these different stakeholders have to be represented in the board of the organization.

33 Nicholls (2006) explains that Banks (1972), interestingly, first coined the term "social entrepreneur" while referring to management approaches inspired by values such as those promoted by Robert Owen, a major utopian widely considered as a father of… the cooperative movement.

Not member-based	31%	30%	40%

Source : FASES (Barraket et al., 2010:31)

Second, one of the EMES criteria states that the decision-making power is not based on capital ownership, again reflecting the quest for more economic democracy that characterises the field of social enterprise in Europe, in the tradition of cooperatives. This generally means that the organisation applies the principle of "one member, one vote", or at least that the voting power in the governing body that has the ultimate decision-making rights is not distributed according to capital shares. In Europe such rules are reflected in different national legal frameworks designed for social enterprises, the majority of them requiring the rule of "one member, one vote".[34]

There is as strong history of cooperatives in Australia too. In his book 'Third Sector: The Contribution of Nonprofit and Cooperative Enterprise in Australia", Mark Lyons explains how democratic control and material benefit proportionate to use are what distinguish the third sector from for-profit firms. According to him, in a third sector organisation, each member has an equal right to control. In the FASES project, almost 80% of the organizations reported having voting members.

However, the FASES project reports that *"Governance was not discussed in great depth at any of the workshops but 'governance and ownership based on participation' was one of the core social enterprise criteria proposed. The main arguments put were that it was important to encourage participatory approaches to defining social needs and purpose and that inclusive governance is part of social engagement*." (Barraket et al: 51).

The place of social innovation

For the "social innovation school", social innovation is, obviously, the core of social entrepreneurship. The scaling up of social innovation has also been a concern from the outset, typically, to expand through the growth of the enterprise itself[35] and/or with the support of foundations bringing a leverage effect to the initiative through increased financial means and professional skills as well as through celebration and demonstration strategies. For the earned income school, the debate seems less central. However, in recent years, we can see some convergences between the "social innovation" school and the "earned income" school as already stated. Social entrepreneurship is increasingly defined as mission-driven business which fosters business methods including earned-income strategies and social innovation.

In the European context, the process of institutionalization of social enterprises has often been closely linked to the evolution of public policies. It is clear that recognition through public policies has been and still is a key channel for the diffusion of various models of social enterprise throughout Europe. As we have seen, social enterprises were pioneers in promoting the integration of excluded persons through a productive activity and a historical perspective shows that they have contributed to the development of new public schemes and legal frameworks.

The FASES report acknowledges that there was relatively little discussion about innovation as a defining characteristic of social enterprise, as it was considered that not all forms of social enterprise are innovative. During preliminary discussions the idea was advanced that *"profit-distributing forms of social enterprise are perhaps the most socially innovative right now. We constrain what innovation is possible when we focus only on not for personal profit forms"* (Barraket et al., 2010:51). In the survey, the response *'developing new solutions to social, cultural, economic or environmental problems'* was the second most

[34] It is the case for the Italian "social cooperative", the Portuguese "social solidarity co-operative", the Spanish "social initiative cooperative" and the French "collective interest co-operative society". In the Belgian "social purpose company", no single person can have more than 1/10th of the total number of votes linked to the shares being represented. The Belgian social purpose company also provides for procedures allowing each employee to participate in the enterprise's governance through the ownership of capital shares.

[35] A key example, often referred to, is provided by the Grameen Bank, which underwent a remarkable growth before it inspired other microfinance initiatives across the world.

frequently cited main purpose (by 26.4% of the organisations) (question 20). The great majority of respondents report that, in the twelve months prior to the survey, they developed new approaches to their mission fulfilment, business activities and operational processes.

The FASES project reports some policy interest in the field of work integration social enterprise in order to develop intermediate labour market programs. It is noted too that the Victorian State Government and local governments (Brisbane City Council and Parramatta City Council[36]) have introduced social enterprise support on their policy agenda. However, the role of public policy in fostering social enterprise is not a key focus in this report.

CONCLUSION

From this analysis regarding the different dimensions which structure the various conceptions, what can we conclude concerning the Australian perspective?

If we consider the definition which has been the result of a consensus between key stakeholders of the field, the conception clearly shows strong converging features with the earned income school: *"organizations led by an economic, social, cultural, or environmental mission consistent with a public or community benefit and that derive a substantial portion of their income from trade."* Combined with the last criterion - "*reinvests the majority of their profit/surplus in the fulfillment of their mission"* - this definition highlights the primacy of public benefit mission relying and the importance of trade.

The results of the survey show a subset – even if it is a minority – of organizations which clearly aims at generating income to sustain the social mission of an association. This is at the heart of the early "commercial nonprofit approach". However, for the majority of organisations, the main purpose is to develop opportunities for people to participate in their community or to develop solutions to social, cultural, economic or environmental problems. They mainly rely on earned income and use a variety of legal forms even if the association is the dominant one. This is very close to "social business approach" inside the "earned income school" where social enterprise is defined as "a business that trades for a social purpose". The insistence on the triple-bottom-line which characterizes the "blended value approach" does not appear as central. The social impact is much more at the core of the debate than the economic return. Let's recall that almost 90% of social enterprises reported being not-for-profit organisations.

What about the social innovation school ? Social innovation is not part of the core FASES definition even if social innovation appears as a driving force in the development of social enterprises which have completed the survey. The emphasis seems to be placed much more on processes than on individual entrepreneurs as in the social innovation school.

The EMES approach differs from the two other schools on two major points. The conception of economic risk relies on a mix of resources. The EMES approach stresses specific governance models as the social enterprise concept is deeply root in the third sector characterized, in Europe, by a quest for economic democracy inside the enterprise. Concerning this latter point, a question in the FASES survey is included regarding the participation of beneficiaries to the social enterprise. The results are mixed and clearly governance does not appear as a central pillar of the identity of social enterprises. We could wonder why it is the case as there is strong tradition of cooperation and mutualism in Australia and as the seminal book of Lyons (2001) on third sector underlines its democratic control.

Last but not least, we could ask ourselves what is the role of government in this growing field in Australia. This seems to remain an open question at this stage of the debate. In Europe, public policies have been a key channel in the development of the sector through the development of specific legal frameworks and public schemes targeted to social enterprises Such public policies, however, have not been designed and

[36] See the report "To study how the public sector can support growth and sustainability in social enterprise activity" (McNeill, 2009). McNeill's role is to develop social enterprise at the Parramatta City Council.

implemented without raising important questions and strong debates. More precisely, the nature of social enterprises' mission appears to be a contested issue between promoters of social enterprises and public bodies. Public schemes often frame their objectives in a way that is considered as too narrow by some promoters, with a risk of reducing social enterprises to the status of instruments to achieve specific goals which are given priority on the political agenda. In other contexts, such as the United States, social innovation has been expected, typically, to expand through scaling up dynamics relying mostly on private actors. Such trajectories are not without risks. The main one could result from a kind of implicitly shared confidence in market forces to solve an increasing number of social issues in modern societies. Even though various scholars stress the need to mobilize various types of resources, it is not impossible that the current wave of social entrepreneurship may act as a priority-setting process and a selection process of social challenges deserving to be addressed because of their potential in terms of earned income.

The perspective we have adopted suggests that the distinctive conceptions of social enterprise and social entrepreneurship are deeply rooted in the social, economic, political and cultural contexts in which these organizations emerge. We have also noted recent efforts in the academic debate to go beyond divergences which used to characterize the different schools of thought. These different conceptions are present nowadays in the different parts of the world where a debate around social enterprise and social entrepreneurship emerges.

In this overall perspective, our view is that a deep understanding of what a social enterprise can be is not only meaningful in the academic debate; it is also needed to avoid temptations to simplify social challenges. The understanding of social entrepreneurship and social enterprises requires that researchers humbly take into account the local or national specificities which shape these initiatives in various ways. It is clear that supporting the development of social enterprise cannot be done just through exporting US or European approaches.[37] Unless they are embedded in local contexts, social enterprises will just be replications of formulae that will last only as long as they are fashionable.

[37] For instance, when collaborating with the UNDP to analyze the potential for promoting social enterprise in Central and Eastern European countries and in the Community of Independent States, the EMES Network decided to radically simplify its approach based on Western European experiences (EMES – UNDP, 2008)

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