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THE ASPEN INSTITUTE

SOCIAL IMPACT MANAGEMENT AND SOCIAL ENTERPRISE:

TWO SIDES OF THE SAME COIN OR A TOTALLY DIFFERENT CURRENCY?

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Initiative for Social Innovation through Business

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Aspen ISIB Mission

To increase the supply of business leaders who understand—and seek to balance—the complex relationship between business success and social and environmental progress.

Our Vision

Businesses committed to addressing complex global problems—led by executives who possess the skills, values and long-term view required to consider the social impact of business decisions and who employ social innovation as a key element of business strategy.

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Introduction

Over the past half decade or so, educators, researchers and others who attend to trends in business education have noticed the burgeoning of courses, centers and institutes devoted to the topic of "social enterprise" and its sister term "social entrepreneurship" in United States business schools. In the 2001 iteration of *Beyond Grey Pinstripes*[1], a survey of attention paid to social and environmental stewardship by accredited MBA programs, a plethora of curricular, research and institutional initiatives were reported in these areas.

For example, in the mid-1990s, Harvard Business School launched an extensive Initiative on Social Enterprise, including MBA courses, executive education programs, student clubs, internship opportunities, research and course development. Columbia University has recently re-christened its program in Public Management as the Social Enterprise Program, thereby expanding the program's terrain. The University of California at Berkeley and Columbia Business School (in partnership with the Goldman Sachs Foundation) regularly hold the National Social Venture Competition, for student submissions of social mission business plans. Stanford is launching a new journal, *The Stanford Social Innovation Review* in 2003. *Beyond Grey Pinstripes* 2001 reveals that several U.S. schools have created new chairs in social entrepreneurship.[2] And schools who may not have a dedicated program are nevertheless offering more courses, internships and other activities dedicated to "social marketing," "social entrepreneurship," and non-profit management.

These activities are not an entirely new phenomenon in management education. However, the emergence of these initiatives has brought a new emphasis and a new vibrancy to pre-existing non-profit and public management programs in business schools and there are spillover effects into the more mainstream curricular offerings.

Similarly, although courses and programs addressing issues variously named corporate social responsibility, business ethics, or business and society have existed for decades, they also have been the recipients of a new focus and energy that has come along with the wider societal emphasis upon globalization and sustainability. At some schools, ethics classes, for example, are moving beyond the traditional introduction to modes of ethical reasoning to delve into current moral questions triggered by the applications of information technology or by the biotechnology industry. Again, *Beyond Grey Pinstripes* documents the changes in this field, which the authors call "social impact management," and reports that "Modules on managing in a global environment, workforce diversity, sustainable business practices, diverse labor and safety standards, and differential access to capital are all finding their way into required courses,"[3] although not to the degree necessitated by current global business challenges.

In fact, it may be argued that some of the same realities driving the increasing attention to "social enterprise" are also driving the expansion and re-shaping of attention to the field of "social impact management." And just as the term "social enterprise" suggests a terrain that is broader than "non-profit and public management," so too, the term "social impact management" refers to a terrain

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[1] *Beyond Grey Pinstripes 2001*: *Preparing MBAs for Social and Environmental Stewardship* is a global survey of MBA programs, conducted every two years by The Aspen Institute's Initiative for Social Innovation through Business and the World Resources Institute. For more information about *Beyond Grey Pinstripes*, please visit www.beyondgreypinstripes.org, or contact Aspen ISIB.

[2] *Beyond Grey Pinstripes 2001*, p. 5.

[3] *Beyond Grey Pinstripes 2001*, p. 15.

that is wider and differently positioned than the usual arenas of "corporate social responsibility" or "business ethics."

These developments have captured the attention of The Aspen Institute's Initiative for Social Innovation through Business (Aspen ISIB), an organization whose mission is "to increase the supply of business leaders who understand–and seek to balance–the complex relationship between business success and social and environmental progress" through a focus on business education. This re-shaping of two fields in American business schools might be a heartening phenomenon, suggesting that educators and students alike are paying an increasing and new kind of attention to the role future business leaders can play to address the wider concerns of society. This could be the beginning of a new chapter in the definition and the design of corporate efforts around social responsibility. For example, in recent research and teaching, Rosabeth Moss Kanter offers a "new paradigm of 'corporate social innovation' to replace outdated arms-length charity; in this new model, the social sector becomes a 'beta site' to develop and test innovations relevant to the business that also provide solutions to social problems."[4]

However, for Aspen ISIB and others committed to the continuous improvement in business education, these developments have raised some important definitional and strategic questions:

- How do we define "social impact management" and "social enterprise" initiatives? Are the developments in these arenas blurring the distinctions between them, and if so, is that a positive development?
- Or if they are different in objective and approach, what is their relationship and relative centrality to MBA education?
- Given limited business school resources (funds, faculty attention, space in the curriculum, student attention, etc.), how can they become and remain mutually reinforcing?

Aspen ISIB is committed to probing these questions, as their answers will have significant implications for the ways in which the organization deploys resources to serve its mission. For the past four years, since its inception, Aspen ISIB has defined the focus of its research, curricular and pedagogical initiatives as "social impact management." The respective definitions of social impact management and social enterprise, as well as their relationship, have emerged as crucial questions whose answers will guide Aspen ISIB's future strategy.

What Is Social Impact Management?

Social Impact Management is the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between the two, and that focuses on how to manage this complex interdependency to mutual benefit of both realms.[5] It is a critical part of contemporary business because without an understanding of this interdependency, neither business nor the society in which it operates can thrive. In fact, this understanding is

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[4] See description of the course, "Business Leadership in the Social Sector," on the HBS website: http://www.hbs.edu/socialenterprise/sembaprogram.html.

[5] For a fuller discussion, see "Social Impact Management: A Definition," by Mary C. Gentile, Aspen ISIB Discussion Paper II, Fall 2000, available at www.aspenisib.org.

becoming increasingly essential as private corporations grow in size and influence, and public pressure intensifies for corporations to address social and environmental concerns.

Research, teaching and practice of social impact management consider the social context within which a business operates. The intersection between traditional business practice and the social context has important consequences for both the present and future viability of a business's activity, and also for the society within which that business has, by necessity, to operate. *And both sets of consequences matter to business.* In other words, there are social impacts *of* a business, as well as *on* a business.

Social impact management, as way of thinking about business activities, explicitly considers and evaluates three aspects of a business:

1. **Purpose:** What is the purpose – in both societal and business terms – of a particular business organization and its activities?
2. **Social Context:** Are the legitimate rights and responsibilities of multiple stakeholders considered in the management of the business activities? Is a proposed strategy evaluated not only in terms of predicted business outcomes, but also in terms of its broader impacts – for example, on quality of life, the wider economy of a region, and security and safety?
3. **Metrics:** How is performance and profitability measured? What is being counted and what is not being counted? Are impacts and results measured across both short and long term time frames?

As these questions suggest, relevant social impact management issues are woven throughout the required MBA curriculum. (See Appendix for examples of relevant curricular topics.)

The reality is that wider society has impacts on business functioning and business has impacts on wider society – whether or not those impacts are actually identified, quantified and incorporated into an organization's decision-making processes. Through attention to social impact management, Aspen ISIB is simply encouraging conscious choice. Aspen ISIB believes business and society are both better for asking these questions in business research, business education, and ultimately business practice.

What its Social Enterprise, and its Sister Term, Social Entrepreneurship?

Columbia Business School explains that its Social Enterprise Program aims to "expand students' understanding of the role of the private, nonprofit and governmental sectors in addressing societal problems. Courses, lectures and extracurricular activities cover a wide range of topics that intersect with students' interests and goals, including social enterprise, corporate social and environmental responsibility, nonprofit consulting and management, nonprofit board service and philanthropy."[6]

Harvard Business School defines the focus of its Initiative on Social Enterprise as "nonprofit organizations and other private social-purpose enterprises," and goes on to explain that it was developed "...to respond to the growing social and economic importance of the nonprofit sector,

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[6] From the Columbia Business School website:
http://www.gsb.columbia.edu/courses/concen/socialenterprise/MAINPAGE.HTML.

and its ever-increasing interrelationship with business. These forces have led to an expanding demand among nonprofit organizations for management skills and a corresponding need among business leaders and corporations for more effective means of involvement with the social sector."[7]

If one takes a closer look at the kinds of programs offered by such programs, there are a large number of nonprofit management courses; independent studies and internships offered in nonprofit organizations; recruiting support for students who wish to take summer or even permanent jobs with nonprofit organizations; executive education programs for nonprofit executives and for business leaders who want to be part of nonprofit boards of directors; lecture series featuring leaders of outstanding NGOs or business leaders who have developed pioneering partnerships with nonprofits; and so on.

To be sure, courses that address the social impacts of business, as opposed to nonprofit management or the burgeoning field of nonprofit/business partnerships are included in the list of relevant classes that a student interested in social enterprise might pursue. However, these often tend to be courses that already exist, to which student attention is simply being directed, rather than courses developed as a result of the initiative. There are exceptions such as the Columbia course, "Business Strategy in Emerging Markets" and courses on the emerging arena of "social mission" business: that is, for-profit entities that are developed with a social as well as a financial purpose. Although this arena is an exceedingly small proportion of the business marketplace, it has attracted increasing attention in recent years.

Evidence of the increasing interest in social mission business and social entrepreneurship more generally is examined in a 2001 study by a group of Babson College faculty and students. Their search of widely read U.S. business, nonprofit and general audience publications "reveals that the term *social entrepreneur* has appeared in more than 950 articles over a fifteen-year time period, with close to 75% of those articles occurring in the last three years."[8] However, they go on to discuss the wide and varied use of the terminology, explaining that it tends to mean different things to different audiences.

In publications that target business readers, the phrase usually refers to "social mission" businesses, and in publications that target the nonprofit world, the phrase usually refers to the application of business management practices in a nonprofit organization context. Additionally, these authors found that an overwhelming 83% of the press references to "social entrepreneurship" used examples from the nonprofit sector, as opposed to the private or government sectors, leading the authors to conclude, "The social entrepreneur is overwhelmingly a nonprofit sector phenomenon."[9]

Thus, based on the evolving usage of the terms "social enterprise" in business school settings and "social entrepreneurship" in print media, it appears these terms tend to refer primarily to non-profit management, and sometimes public management; the role of for-profit management leaders in supporting and sometimes partnering with non-profits; and finally, the still infrequent incidence

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[7] From the Harvard Business School website: http://www.hbs.edu/socialenterprise/

[8] "The Rise of the Term Social Entrepreneurship in Print Publications" by Natalie Taylor, Renee Hobbs, Frances Nilsson, Kathleen O'Halloran, and Claire Preisser.

[9] Ibid., page 6.

of social mission for-profit enterprises, which combine a social performance measurement with their financial performance metrics.

Although some programs, such as Columbia's, do cluster their social impact management courses and activities under the "social enterprise" umbrella, this does not appear to be the predominant emphasis of this type of initiative.

What is the Relationship between Social Impact Management and Social Enterprise Initiatives?

We have said that the fundamental focus of social impact management is the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between these two realities. One might argue that social enterprise initiatives are focused upon the same nexus; after all, they attend to the growing social or nonprofit sector, and the ways in which it can benefit from the application of traditional business methods of management and financing, as well as the ways in which businesses and nonprofit organizations can develop synergistic working relationships. Thus social enterprise efforts do indeed appear to focus on an intersection between business practice and societal concerns, as represented and served by nonprofit organizations.

Nevertheless, though there are some mutual areas of concern and overlap between the two fields of inquiry, there are also fundamental differences in their emphases. Social impact management, on the one hand, attends to the impacts of traditional business activity on its wider societal context, making visible the often unseen, uncounted or unreported consequences of business practice on a wider set of actors over a longer time frame than is usually examined. It looks at the costs *and* benefits imposed by business on the quality of life of those both within and outside the firm, such as wealth creation and distribution, skill and technology transfer, environmental impacts, human rights issues, working conditions, and so on.

Social enterprise initiatives, on the other hand, consider more effective and efficient ways of responding to existing societal needs—either through nonprofit organizations adopting traditional business methods or through partnerships between the private and the social sectors—without *necessarily* taking into consideration whether existing business practices are contributing to these needs in the first place.

One could say that social impact management is about a way of *doing* business that is consistent with healthy and sustainable societies, while social enterprise is about a way of *using* business methods to help improve the health and sustainability of societies. They both serve useful and needed ends, but they are different.

With these overlaps and distinctions in mind, it becomes clear that from a business perspective, or a business education perspective, social enterprise is less threatening. It is all about business as the good guy, offering methods, skills, knowledge, technology and partnerships to address social ills and by the way, sometimes enhancing its image or profits at the same time: a mutual "win/win." On the other hand, social impact management calls business to accountability for the wider implications of their actions. It is most definitely *not* about business as the bad guy, but rather as the guy who has a need and a responsibility to look where it's going and examine what it's doing,

both in order to ensure its own long term viability and that of the wider society within which it operates. While social enterprise casts business as the philanthropist, whether through traditional charity or through "corporate social innovation," social impact management casts business as an exceedingly powerful player in the world who leaves very large footsteps in its wake. Social impact management asks business to watch where it steps.

It may be instructive to consider for a moment the motivations for attention to social impact management and social enterprise. Regarding social impact management, there are a whole list of suspects: the expansion of the power and wealth of the private sector; the increasingly visible and controversial impacts of globalization; the global wealth gap; environmental degradation; the shrinking and/or failure of the public sector in many parts of the world to ensure its populations' safety and welfare, to name a few.

Turning to social enterprise initiatives, in addition to the above concerns about income disparities, environmental damage and other social ills, attention has been fueled by unprecedented wealth in the hands of younger individuals, particularly in the United States; the power and influence of the internet to empower individuals, spread information and facilitate innovative solutions to what had previously seemed intractable problems; and the popularity of entrepreneurial ventures more generally, including access to venture capital (again, particularly in the United States).[10]

It is interesting to consider the degree to which social enterprise efforts have and will spring up in other parts of the world, since most of the examples and certainly the literature search evidence sited here are United States phenomena. The Asian Institute of Management, for example, offers a Master's Degree in Development Management, in addition to the traditional MBA, that addresses topics which fall under both the rubrics of social impact management and social enterprise. Harvard Business School, for another example, is working with a network of Central and South American business schools to develop social enterprise programs and we will want to watch to see how the focus and approach of these programs evolves. Similarly, it will be interesting to see what impact, if any, the decrease in available venture capital for private sector ventures will have on the sustainability and the birth of new social mission organizations.

How can Social Impact Management and Social Enterprise Initiatives in Business Education Become/Remain Mutually Reinforcing?

Given the areas of commonality as well as difference in the motivation for attention to social impact management and social enterprise, we might ask: *does business school attention to these areas work synergistically, or at cross-purposes?*

Consider, for example, the business school resources (faculty time, course offerings, internship development, research efforts, student attention, etc.) devoted to social impact management and social enterprise. On the one hand, they both push future managers to consider their own purpose and place in wider society. For example, due to a burgeoning interest in business/nonprofit partnerships nurtured by excitement around social enterprise initiatives, we now see cases on "cause-related marketing" popping up in required Marketing courses. Attention to such topics in

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[10] Ibid., p. 5, 6.

the core courses can't help but broaden MBA students' perception of their sphere of influence and responsibility.

On the other hand, of course, it's possible that faculty, students, and even donors will feel they have devoted sufficient attention to societal concerns when they see the impressive social enterprise programs some schools are developing and they may feel less urgency around reviewing the curriculum through the lens of social impact management. After all, social impact management issues cannot be easily and safely compartmentalized in elective courses; they are woven throughout the MBA core curriculum.

So turning to business education, what is the optimal relationship between social impact management and social enterprise initiatives? Most MBAs do *not* intend to make nonprofit management their career. At the same time, based on a cursory review of their mission statements, many MBA programs do wish to encourage their graduates to reflect on their purpose and place, as business leaders, within wider society. Thus there seems to be a mandate and an opportunity to emphasize both social impact management and social enterprise initiatives within the MBA curriculum.

It seems that these initiatives, taken together, can help students to develop a comprehensive vision of the matrix of private, public and civil sectors. The challenges facing our world are not created, nor can they be solved, by one sector alone.

Each of these initiatives—social impact management and social enterprise—will be strengthened by the insights supplied by the other. For example, nonprofit organizations are increasingly dependent upon business managers who see their purpose as consistent with societal benefit, both if these managers are to be donors and partners in the nonprofit organization's work, and also if the business is to manage its own affairs in a fashion that supports and does not undermine the satisfaction of wider societal needs. Similarly, businesses need non-profit managers who understand the needs and strengths of business partners, and who can think strategically about the best ways to jointly address social concerns.

It seems that that the relationship between social impact management and social enterprise efforts in business education can be mutually reinforcing or not. Social enterprise initiatives can reinforce social impact management *if* efforts to develop "social mission" organizations or to apply business methods and corporate partnerships in nonprofit organizations:

- reinforce the commitment and the ability of business managers to attend to the social impacts of their firms;
- reveal alternate ways for businesses to function that maximize the social benefits and minimize the social costs of their firm's operations;
- do NOT create a false sense of complacency in current and future managers, feeding a compartmentalization where they can play a constructive role in their communities on the weekends but ignore the calculation of their social impacts during the week.

Conversely, social impact management can reinforce social enterprise initiatives *if* efforts to understand and address the intersection and interdependency between business practice and wider societal concerns:

- strengthen future managers' view of themselves and their organizations as part of a wider set of institutional and organizational actors on the social stage;
- increase managers' understanding of the true extent and the true limits of business responsibility toward shared societal challenges;
- stimulate managers' imaginations regarding the possibility and need for collaborative approaches to those challenges.

Given Aspen ISIB's mission, an emphasis upon fostering research, teaching and practice in the lessons of social impact management may often *include* social enterprise initiatives when they meet the above criteria. At best, social enterprise efforts are indeed supportive of our mission, but we are cognizant that they are not sufficient. They do not necessarily consider or address the poignant observation made by one participant in the annual Aspen ISIB Business Leaders Dialogue that "Market activities can [sometimes] erode social institutions and quality of life faster than it can put remedies in place to rebuild them."

Through continued attention to the ways in which social enterprise initiatives are evolving, we can encourage those synergies with social impact management that deepen the understanding of business's purpose and place in wider society, emphasizing that business leaders and business are *part* of society, rather than existing alongside of it.

Appendix
Selected Examples of Social Impact Management Topics

Accounting	➢ Full cost accounting ➢ Differential accounting standards ➢ Integrity and accountability in reporting systems ➢ Potential conflicts of reporting standards in global businesses ➢ Social auditing
Business/ Government Relations	➢ Social impacts of regulation, de-regulation and privatization ➢ Technology transfer and its impact on economic opportunities ➢ Jurisdictional disputes ➢ Negotiating responsibility for "externalities" with host country ➢ Public/private partnerships
Economics	➢ Distribution of wealth within and between countries: business influence/impacts ➢ Family/community impacts of employee time use ➢ Fiscal incentives or disincentives - e.g., tax policy ➢ Causes and impacts of wage and income gap ➢ Social impacts of key economic concepts – e.g. market power, consumer power, market externalities, property rights, etc.
Finance	➢ Impacts of individual and institutional investor incentives ➢ Impacts of capital flows across international borders ➢ Differential access to capital ➢ Examination of the changing nature and role of shareholders ➢ Discussion of social venture capital and social investing
Information Technology	➢ Digital divide ➢ Social impacts of technology transfer ➢ Confidentiality and information ownership ➢ Workforce impact of IT enhancements
Marketing	➢ Impacts of product development, design, and pricing on consumers ➢ Niche marketing impact on business strategy and target markets ➢ Cultural impacts of advertising messages ➢ Social and cause-related marketing
Operations Management	➢ Impacts of labor standards – risk and safety, child labor, hours, etc. ➢ Accountability and risk management in supplier relationships ➢ Plant siting decisions and stakeholders ➢ Differential safety and labor standards
Organizational Behavior/ HR	➢ Employee rights and participation ➢ Work/life balance issues ➢ Workplace equity and diversity issues ➢ Labor relations and union strategies

Strategy
- ➢ Corporate reputation/image
- ➢ Executive compensation strategies
- ➢ Competitive analysis of employee ownership models
- ➢ Operating in economically disadvantaged areas and emerging markets
- ➢ Standards for "fair" competition in a global context
- ➢ Downsizing, plant closings and re-engineering strategies
- ➢ Trends and critiques of corporate governance