From individual to institution: On making the world different

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From Individual to Institution:
On Making the World Different

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ABSTRACT
Institutional and social movement theories are helpful to understanding the evolution of institutions, but largely missing is the role of individuals who shaped these institutions. For example, individual social entrepreneurs ('difference makers') collectively pioneered major elements of an emerging institutional infrastructure for corporate responsibility. They are highly pragmatic in moving their visions forward, think big while starting small, hold strong values and a passionate desire to change the world for the better. They are systems thinkers capable of finding leverage points for change and social benefit, and understand that a dialectical, not linear, process is sometimes the best path forward.

Some years ago I watched as Steve Lydenberg, who was one of 23 individuals later profiled in *The Difference Makers*, began to build a new institution, what is now the Initiative for Responsible Investment (IRI), initially housed in the Boston College Center for Corporate Citizenship and now at the Harvard Kennedy School's Hauser Center. Now one of the leading figures in the social investment arena, Steve had earlier co-founded with Amy Domini and Peter Kinder the social research firm KLD Research and Analytics (acquired by RiskMetrics in the fall 2009, which itself was acquired by MSCI in early 2010), and had by that time begun working full time for Domini Social Investments as chief investment officer. Part of his charge in this new position was to work on the further development of the field of social investment by developing thought leadership for the field.

As Steve began making initial inquiries about and tentative steps toward forming the IRI, it occurred to me that it was just through such individual initiative and investment of intellectual and social capital that new institutions are born. The IRI is emblematic of many of the collaborative initiatives discussed in this special issue. For one thing, it was founded by a social entrepreneur with the idea of moving forward the whole social investment field by bringing thought leaders together around the major issues facing the field. For another, it was begun on scant resources and took determination and persistence to bring it to life. For another, like so many social enterprises, it inherently crosses boundaries of public and private, of for- and not-for-profit.

In accomplishing its work, the IRI breaks numerous boundaries. Housed in a non-profit educational institution, it works collaboratively with other individuals who predominantly are in the for-profit sector in the investment arena. It brings together academics and other thought leaders in specific fields, investors, investment fund managers, and others interested in its specific topics to develop state-of-the art thinking on that topic. Over time, the IRI has focused on the ways in which principles of responsible investment could be applied to stocks, bonds, real estate, and a variety of other asset classes, breaking new ground by linking ideas about responsible investment to asset classes that had not previously been brought under the responsible investment umbrella. It works by bringing leading thinkers in these different arenas together to discuss the issues they are facing and how to move the 'social good' of more responsible investment in that asset class forward. The work of IRI is to create research products and publications for both academics and practitioners, attempting to bridge that (often difficult) boundary, and to develop convenings where thought leaders could come together on common ground.

Similar stories could be told about most of the other difference makers originally profiled—and many, many others. For example, Paul Hawken documents in his recent book *Blessed Unrest*, some one to two *million* social enterprises in the world that are concerned, at their core, with the issues of sustainability and social justice. These social entrepreneurs, in their own ways, build social enterprises that frequently cross the public-private-governmental divide. Like the difference makers, they tend to work at the interstices between sectors, creating new institutions that aim to fill existing gaps perceived by the entrepreneurs.

Institutional and social movement theories are helpful ways of understanding the evolution of institutions or the ways in which larger-scale social shifts happen. But what has been largely missing in many accounts is the role of individuals in shaping these institutions. Here 'institutions' is used broadly to mean not just the constraints imposed by law and regulation, but also the 'soft law' (Ruggie, 2007), self-regulatory (Campbell, 2007), and stakeholder monitoring or engagement (Campbell, 2007) pressures that come from other powerful social institutions, such as NGOs, the media, and other monitoring groups. Some of these entities were created by social entrepreneurs in companies for self-regulatory purposes (and perhaps to avoid 'hard' law. Some were developed by the individuals I have called difference makers (and many others like them), who were working at the interstices between business, government, and civil society. Other pressures in the case of corporate responsibility come from what Campbell (2007) calls normative pressures, for example, from the social investment world seeking better practices, from NGOs unhappy with current practices, or from norms established by the increasing array of standards and principles (like the UN Global Compact, for example), the expectations of assurance and auditing entities like SAI International and AccountAbility, and the reporting standards inherent in, e.g., the Global Reporting Initiative. Such a view is consistent with Campbell's (2007) minimalistic view of responsible corporate behavior's being influenced not just by economic factors, but also by the institutional pressures that surround the enterprise.

Difference makers founded social research agencies that 'name and shame' or otherwise pressure businesses when they behave irresponsibly. Sometimes they sold social research data to interested investors. They established consultancies to help move businesses corporate citizenship agendas forward, developed new sets of principles or standards within nonprofit entities that apply to businesses and hold them to 'higher' but generally accepted standards of practice. Such entities include the UN Global Compact around labor rights, human rights, sustainability, and anti-corruption, and SAI International around labor standards—including an monitoring and certification process. They established new networks of like-minded business leaders—and sometimes leaders from other sectors—to come together on common ground, among many other institutions, e.g., Business for Social Responsibility and, for smaller enterprises, the Business Alliance for Local Living Economies. Some of these initiatives included for-profit enterprises, e.g., social research firm KLD Research and Analytics,[1] the Corporate Citizenship Company, while others were not-for-profit, e.g., SAI International or AccountAbility, but all of which inherently embedded social purpose into their missions.

As a scholar who has mostly stayed at the 'macro' level of analysis, I found this excursion into individual enterprise and initiative fascinating. These individual social entrepreneurs or 'difference makers' collectively pioneered major elements of a still-emerging institutional infrastructure for corporate responsibility (Waddock, 2008). In developing these social enterprises, the difference makers exhibited qualities of social entrepreneurship, as defined by Dees:

> Social entrepreneurs play the role of change agents in the social sector, by:
> - Adopting a mission to create and sustain social value (not just private 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
> - Exhibiting a heightened sense of accountability to the constituencies erved and for the outcomes created.
>
> (Dees, 1998)

The difference makers also are highly pragmatic in moving their visions forward, as I have documented elsewhere, being quite willing to thinking big while starting small, holding strong values and a passionate desire to change the world for the better. With a well-developed capacity for forward-looking realism—seeing the world as it is *and*, importantly, as it might be, they also shift gears when necessary, morphing the enterprises and institutions that they have created to meet changing issues and times. They tend to be systems thinkers capable of finding leverage points for change—and social benefit—and understanding that a dialectical, not linear, process is sometimes the best path forward. The latter skill means that they are politically savvy and consummate networkers, who epitomize 'luck' as defined by Seneca: 'Luck is what happens when preparation meets opportunity' (see Waddock, 2009).

As this special issue demonstrates, there are many, many emerging types of social enterprise today, most of which are presumably guided by individuals with many, if not all, of these characteristics, and many of which quite deliberately break sector boundaries. We find, for example, social enterprises in the for-profit sector in the form of large corporations that are engaging with civil society organizations (CSOs), non-governmental organizations (NGOs), and sometimes governmental bodies, either through their philanthropic initiatives and foundations, community relations programs, or volunteer work, or because they perceive potential new markets or opportunities in doing so (e.g., Prahalad, 2004). There are distinctly 'social' enterprises operating as NGOs or CSOs that are engaging in business opportunities and practices to provide a stable source of revenues for their values- and mission-driven work. There are various forms of hybrid enterprises, such as B Corporations, for-benefit corporations, and companies that have joined the Conscious Capitalism movement that explicitly incorporate multiple bottom lines, typically at the initiative of the founder or CEO, who takes on the role of social entrepreneur. What is clear is that the heart of all of these enterprises, no matter what the sector of their origin, is a social entrepreneur (or difference maker)—or numbers of such individuals, sharing a dream of a better world that they intend to make real through developing their enterprise or institution.

Fundamentally, my argument is that the difference makers have actually *made* a difference in corporate behavior through the development of institutional pressures like those coming from peer networks (e.g., business associations and multi-stakeholder coalitions), responsibility accreditation and assurance agencies, social investors, and the like (see also Campbell, 2007). These elements of the infrastructure arose in the absence of mandate around certain practices perceived to be exhibiting corporate responsibility (e.g., the issuance of audited sustainability reports, or the assurance that supply chain workers are being treated well), which is clearly necessary to ensure consistency of expected behaviors in many circumstances.

Although efforts were not formally coordinated, the infrastructure did not grow by chance. Rather the social entrepreneurs behind these new initiatives saw a gap between the world that exists and a world in which businesses were, e.g., incorporating environmental, social, and governance (ESG) and stakeholder-related issues into their internal practices and external reporting. Such observations resulted, for example, in the use of shareholder resolutions by the Interfaith Center on Corporate Responsibility, led at the time by Timothy Smith, to bring a wide variety of social issues to the attention of corporate management. They led to the 'call' for a new social compact between business and society at the 1999 World Economic Forum by former UN Secretary General Kofi Annan, supported by difference makers John Ruggie (then Columbia professor and special assistant to Annan, now Harvard professor) and Georg Kell (now head of the UN Global Compact), and ultimately to the development of the UN Global Compact under the banner of the United Nations. The Global Compact is an interesting case in that neither Kell nor Ruggie, who wrote the speech for Annan, nor presumably Annan himself, actually intended the emergence of a new institution resulting from the speech. But calls for the UN to do something to make the call for a new social compact real ultimately resulted in the Global Compact itself, which at some 7700 members, including 5300 businesses, at this writing now bills itself as the world's largest corporate citizenship initiative.

Still, despite the emergence of the responsibility infrastructure out of the vision, passion, and persistence of so many individuals, the question remains: Is society better off because entities join forces and coordinate actions across levels—and across sectors? There is, of course, no easy way to answer this question from a review of the activities of difference makers (and the many more who are yet unprofiled, not to mention the innumerable social entrepreneurs in the world). But given that there is yet no global governance system that would provide the 'hard law' institutional framework to set standards and hold companies responsible and accountable for their actions, the existence of infrastructure institutions provides institutional pressure for great responsibility from companies today that would not exist if they were not present.

As Campbell (2007) argued, companies sometimes *do* behave responsibility, sometimes for ethical reasons, but often because they are responding to both external institutional pressures that drive them in that direction, even when blurring boundaries across sectors and levels means that understanding these new institutions is difficult. The editors and authors of this special issue are doing us all a great service by providing their insights into how these processes work and how such institutions can, ultimately, do their work more effectively.

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[1] Acquired by RiskMetrics, which itself is now part of MSCI.