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Business Unusual: Corporate Responsibility in a 2.0 World*

SANDRA WADDOCK AND MALCOLM MCINTOSH

ABSTRACT

The imperatives of a growing consensus on human-induced causes of climate change, an increasing gap between rich and poor, and the misguided incentives in the economic, business, and financial models that dominated the last quarter of the twentieth century and first decade of the twenty-first century along with the emergence of Web 2.0's transparency have highlighted the need for a new approach to capitalism. Looking around the world, we can witness the emergence of numerous new forms of enterprise that are part of a broader movement that we are calling change to a sustainable enterprise economy (SEE Change). This article details the broad outlines of the emerging shift, highlighting the new types of enterprise that constitute the SEE. First, we set the context in which business unusual is evolving, a context of "wicked problems"

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uncertainty, and sustainability problems. Then we provide an overview of new types of enterprises that are already emerging to cope with these changes, enterprises of the cloud (interlinked, web-based enterprises that rely on the "cloud" of computers that store data such as social media, eBay, and Google). Next, we outline how such enterprises are permitting processes of dematerialization and "servicization" (the shift from product to services) to create new forms of enterprise that are less dependent on physical resources. From here, we explore what we term enterprise unusual, corporations that incorporate pro-social goals into their very essence, for example, for-benefit corporations, the B Corporation, and conscious capitalism companies, along with a few entities that are shaping their product development along the lines of biomimicry. All of this change, we argue, has created a blurring of sector boundaries evidenced in the rapid emergence of social enterprise, of which explore a variety of types, and what is being called the fourth sector, where business purpose and pro-social activity are combined.

INTRODUCTION

The imperatives of a growing consensus on human-induced causes of climate change, an increasing gap between rich and poor, and the misguided incentives in the economic, business, and financial models that dominated the last quarter of the twentieth century and first decade of the twenty-first century have highlighted the need for a new approach to capitalism. Combine these growing imperatives with the rapid growth in technology that has made large corporations "naked"[1] (highly transparent) and connected people almost instantaneously no matter what their location, and the world of 2020 looks different than anything humanity has seen before.

We have witnessed numerous dramatic events since 2008, for example, the global economic collapse that highlights the need to better regulate and control the financial services industry; the relatively limited success of COP15, the Copenhagen summit on

climate change; in 2009, the massive oil spill resulting from the explosion BP's drilling apparatus in 2010; revolts in Egypt and other Middle Eastern nations; and the terrible earthquake and tsunami in Japan in 2011. We are also witnessing less dramatic but equally problematic effects of the current system: a growing global obesity crisis that is associated with lifestyle and the way we produce and consume food, collapsing ecosystems, growing concerns about privacy resulting from the growth of Web 2.0 media, and greater divides between rich and poor on multiple dimensions, to name only a few.

These shifts, among others, highlight the need for systemic change. In the highly connected world of the Internet—and the even more visible world of Web 2.0, which is dominated by social media that keeps people constantly connected—business as usual is becoming more difficult to sustain. After these and other events that have shocked the system, businesses may attempt to return to the "new normal" and hope that it looks at least something like the old normal. Chances are, however, that a real new normal will begin to emerge in which businesses themselves taken into consideration the ecological and social as well as the economic consequences of their business practices.

In the Web 2.0 and globally connected world of the Internet, where so much is readily visible to any interested party and where the social and ecological problems besetting the world have become more obvious even to steadfast deniers of reality, it is becoming increasingly clear that business as usual needs to change. But how? Economist Joseph Schumpeter's theory of change argued that economies were never actually stable because change was always underway. In Schumpeter's view, change occurs through what he called "creative destruction" by necessity because of the "fundamental impulse" that "comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates."[2] Noting that this process of creative destruction was the "essential fact about capitalism," Schumpeter pointed out that creative destruction comes, not from outside the system, but actually from inside. Indeed, he argued that this form of creativity was a product of the very entrepreneurial process that underpins the whole notion of capitalism.[3]

WICKED PROBLEMS

Today we see this same process of creative destruction occurring through what we are calling SEE Change—change to a sustainable enterprise economy—in our book by that title. In the process of creative destruction that is still occurring today, entrepreneurs of many stripes are building new types of enterprises, some based on the emerging "cloud" of connectivity that the World Wide Web has evolved into, others based on a multiple-bottom-line set of purposes from their inception. Still, others are premised on spanning traditional boundaries to find new solutions to what management theorist Russell Ackoff once called "messes"[4] and what others call "wicked problems."[5] Messes are problems too complex to be solved by one organization or even organizations within one sector because of the inherently cross boundaries. Wicked problems, Churchman notes, are "that class of social system problems which are ill-formulated, where the information is confusing, where there are many clients and decision makers with conflicting values, and where the ramifications in the whole system are thoroughly confusing."[6]

In many respects, the whole movement toward a sustainable enterprise economy tackles one of these wicked problems, simply because moving in this direction necessitates that multiple considerations be built into enterprises of all sorts. Such enterprises go well beyond the simple single bottom line of maximizing shareholder wealth because many stakeholders' interests need to be taken into consideration and because the problems of society and ecology are difficult to resolve by any means.

We do not know whether the magnitude of change that will be brought by SEE will be sufficient or not. In many ways, we are pessimistic, given the enormous problems that the planet is facing that are complex and difficult to deal with using today's systems. As we think about what is needed, we are constantly reminded of Albert Einstein's famous saying that "You cannot solve a problem from the same consciousness that created it. You must learn to see the world anew." Whether SEE Change represents the sea change that is needed is still an open question. But given that we believe that new thinking *is* going into the design of enterprises that constitute SEE Change, we retain some optimism that we hope will come through in this brief

exploration of SEE Change, which we examine more fully in our book by that title.

ENTERPRISES OF THE CLOUD

Increasingly, as new enterprises evolve, they are part of the ethos of what some call the "cloud." The cloud is the interlinked web of computers with no particular location but that feels local because its information seems like it is on our local computer.

Social Media and the Cloud

Entities like LinkedIn, Facebook, and eBay create a sense of membership and shared participation by connecting people in various ways. Facebook and LinkedIn serve the direct purpose of connecting people in networks and keeping those in the networks informed about activities of others. EBay, for example, uses its cloud computing technologies to sell items to a wide range of customers, linking seller and customer, and using customer ratings as well to provide for the credibility and legitimacy of different buyers through its rating system.

In addition to emerging forms of enterprise that are relatively more permanent, there are numerous other types of enterprises, some are quite short lived, that rely on the variety of electronic communications technologies now widely available in the cloud of linkages that connect us today. For example, flash mobs and smart mobs rely on technological connections through blogs, LinkedIn, Facebook, Twitter, and other Web 2.0 connectivity formats still rapidly evolving. Smart mobs, according to Howard Rheingold, who invented the term, are short-term self-organized systems, structures, or entities that form for a brief period through the use of electronic technologies like cell phones, personal digital assistants, and peer-to-peer networks, then dissolve. Rheingold wrote about them in a 2002 book by that title, pointing out that new wireless electronic devices enable people who do not know each other to act together purposefully because they can connect through mobile electronic devices—

both for positive and sometimes not so positive purposes.[7] EBay's quality control system, mentioned above, in which users rate the credibility and quality of sellers, is one form of smart mob.

Flash mobs are even more temporary than smart mobs, as they are groups that form to do something, then dissipate just as quickly. Apparently, spontaneously (but having been organized ahead usually via web-based connectivity), they sing, dance, stop moving for a period of time, act, or perform in some other way that draws public attention. Sometimes their antics are recorded and appear on social media like YouTube.

Peer-to-peer resource sharing via the Internet is a use of electronic technology that is threatening traditional media companies and changing the very concept of intellectual property. For example, despite the crackdown on Napster (which originally allowed free downloads of music), other peer-to-peer sharing technologies have emerged that permit music, movie, and television programming downloads (e.g., Hulu, BitTorrent, Limeware, Shareaza, Kazaa, and a multitude of others). These new media make traditional approaches to intellectual and artistic property in the music, television, and movie industries, which attempt to control content and distribution as well as profits, problematic in the future at best. Proponents claim that peer-to-peer networks and sharing create greater democracy and access to resources, while the producers of some of those resources (e.g., media companies) claim that their intellectual or artistic capital resources are being stolen.

Other applications are forming new business models, as does Skype, Internet phone service offered for free over the Internet (or at very low cost). Peer-to-peer technologies also inform other applications, for example, "freeware" software developed voluntarily by contributors for numerous types of applications. One such application of freeware is an open-source version of Microsoft's Office product that competes directly with the software giant. Another is the web-based encyclopedia, Wikipedia, to which anyone can contribute (or improve already submitted items), and which is accessible to all at no cost, providing significant competition to traditional encyclopedia publishers who find it hard to compete effectively with the instant-access, constantly updated "wiki" form of encyclopedia.

Traditional newspapers and magazines are also threatened by the new social media, for example, by blogs and other forms of web logging. The word "blog" is a reduction of the term "web log" and applies to a website to which a person, group, or organization contributes ideas, images, and other information on a regular or periodic basis. Some blogs provide constantly updated communications about events, news, gossip, and just about anything else one might think of. One of the more famous blogs in the United States is the Huffington Post. Blogs now exist on topics from politics to food to books, and are as formalized as the Huffington Post or as simple as an individual writing about his or her own ideas and opinions. By some estimates, there are as many 200 million blogs in the world, about 73 million of them in China, and the number is growing daily.[8] In the blogosphere, the issue is not access to information but rather information overload.

In addition, blogs (along with other social media) can put enterprises of all sorts—large and small businesses, as well as nonprofit organizations (NGOs), civil society organizations (CSOs), and governments—into the spotlight quickly and widely, depending on their reach. In doing so, they create significantly greater transparency for enterprises—sometimes more than those enterprises might wish. The sustainable enterprise economy, which is arising in part out of these new media, thus inherently carries with it greater degrees of transparency than were available in the past, which will also enhance demands for accountability by a wide variety of stakeholders. Combined with this transparency, which is virtual, is a degree of "dematerialization" that also comes along with electronic technologies and is an essential part of SEE Change.

DEMATERIALIZATION, SERVICIZATION, AND ENTERPRISE

Electronic connectivity makes possible getting and using information, which used to be a materials-resource intensive activity, as well as other forms of business, in digital or electronic form. Many of these new types of companies are "dematerializing" the economy, at least to some extent, through digital technologies or through initiatives known as "servicizing."

Dematerialization

Here is a brief thought experiment that may help provide insight into the processes of dematerialization created by the electronic infrastructure (which, of course, have their own physical resources basis). Think of going to a library and plowing through volumes of books from long stacks filled with other books, along with the physical infrastructure required to produce and house those books over time. Compare that with searching using the Internet for the same information today. Not only is the search considerably less time consuming, but it is also less physically resource intensive because you can explore many information resources without necessarily needing paper copies of books to do so.

Consider now the dominant presence of Google as a search engine today. Think the ways in which social networking media like Facebook, LinkedIn, YouTube, and Ning, to name just a few, allow people to put information about themselves out into cyberspace and communicate with many people at once or separately, not to mention organize events. Consider that starting from almost nothing in 2005, YouTube now hosts millions of publicly available videos (one estimate in 2008 put the number at 140 million[9]), with about 1.2 billion downloads daily in 2009,[10] and is the leading online video source at this writing. And much of this viewing, uploading, and downloading takes place electronically rather than using DVDs, videos, or other physical formats.

Think of how instead of going to a store to buy music on hard CDs, many people now download music directly to their computer, phone, MP3 player, or iPod, or any number of other small devices. There is less and less need for a tangible physical product in the "production process" of obtaining the music other than the recorded music, the device, and its connectivity. Indeed, some analysts predict that soon the CD as a physical form will go the way of eight track tapes and record albums—into the dustbin of memory. Or think about how Amazon.com's Kindle, other e-books, and the Apple's iPad, are transforming the book-selling, news, magazine, and publishing industry in general, moving these formerly physical products into digital formats rather more quickly than many traditional publishers might wish. The same is true of DVDs and videos, as "on demand" services, Tivo, and other

technologies change how we relate to visual forms, and allow us to access them electronically. Or think about how e-mailing, texting, Twittering, Skyping, network-based conferencing, and other forms of instant communication (not to mention cell phones) have changed people's availability and, ultimately, their lives as well as reducing the need (if, sometimes, not the actuality) for printed (or handwritten) communications, and sometimes for travel.

Think further about how activists, critics, NGOs, and interest groups (pro and con anything) can now organize themselves—and many people they have never met online, without needing to use (nearly as much) paper to write letters, print posters, or otherwise distribute their information. Companies can do much the same thing with their advertisements. Info-mediaries are web-based collectors of information that essentially serve as neutral intermediary between those entities with information or something to sell and those entities or people who want that information or to make that purchase (e.g., http://www.autobytel.com and http://www.bizrates.com).[11]

Add to this, not to mention the relative ease of finding information on just about anything you want to know through online resources, which include encyclopedias, dictionaries, thesaurus, and much of the world's written material at this point. Then, of course, there are the models that now large and substantial companies like eBay, Amazon.com, and PayPal, have based on their e-commerce capabilities, which have manifestly changed how we, in developed nations, think about buying goods and services and shifted the momentum of growth in their direction.

E-Waste

The downside of all of this digitalization is that many raw materials are needed to produce electronic gadgets, some of them quite toxic or rare. In addition, because software and devices change so rapidly, many of these devices are (quite deliberately) outdated within a few months (sometimes hours . . .) of being purchased. Electronic waste has become a huge ecological issue. The US Environmental Protection Agency estimates that in 2007 in the United States alone, there were 26.9 million televisions disposed, 205.5 million computer products, and 140.3 million cell phones.

Of these, only 18% of televisions and computer products and 10% of cell phones were recycled.[12] Globally, estimates are that there are between 20 and 590 million metric tons of e-waste generated annually, with projections for a 3–5% annual increase.[13]

The Electronics Takeback Coalition points out that not only are electronics difficult and not designed to be recycled but that they are quickly obsolete, contain numerous toxic chemicals, and that most e-waste goes into landfills rather than being recycled in any case. Even when people believe they are recycling their old electronic equipment, with overall about 13% of total electronic waste recycled, as much as 50–80% of that e-waste is actually shipped to developing countries. There it is taken apart by workers laboring in very problematic working conditions, where they are handling extremely toxic materials like lead, cadmium, mercury, and various other toxics, frequently without critical safety measures in place. The problem is compounded by frequent replacements of equipment, for example, estimates are that some, as many as 419 million, computers will be sold annually globally by 2013.[14] Sales figures for cell phones are even higher, estimated at 1.18 billion in 2008, and global estimates were that there were 4 billion cell phone subscribers in the world.[15] Thus, for all that there is a degree of dematerialization going on with digitalization processes, there are clearly side effects around resource usage that need to be dealt with simultaneously.

Servicization

Another notable trend toward dematerialization that has sustainability consequences is a movement in some product categories and industries toward a product-service system,[16] also known as servicization.[17] According to scholar O.K. Mont, the (frequently unrecognized) imperative facing businesses around issues of production—that population pressures and increased consumption levels will necessitate that by mid-century, resource productivity may well need to have improved tenfold,[18] that is, industrialized nations will no longer be able to continue to foster conspicuous consumption and planned obsolescence as their fundamental business strategies. Servicizing represents an emerging form of dematerialization in which customers get the same level of performance from products and services but less environmental

burden because utility or usefulness is provided—and improved—not by replacement products but rather by improvements in or provision of services. The concept is based on a simple premise, as ecologist Amory Lovins has noted, "People don't want heating fuel or coolant; people want cold beer and hot showers."[19]

The idea of servicization is gaining traction because in developed countries, some 70% of the economy is now based in services rather than in production. Facing the reality of ecological strains and limits, companies moving into servicizing are shifting the once-clear boundaries between manufacturing and production and services. The notion of product service systems is "a marketable set of products and services cable of jointly fulfilling a user's need."[20] In this context, servicization means that a company upgrades a customer's product by providing more services, for example, by selling or leasing the use of the product rather than changing the actual product, creating an orientation toward repairing rather than replacing products, and changing customer attitudes from product sales to receiving services that help to upgrade the product.[21] Basically with servicizing, the company sells the functionality of a product to a user, upgrading as necessary rather than necessarily selling the product itself. Some areas where product-service systems or servicization appeals are chemical management (e.g., the customer buys cleaning services rather than cleaning products and the company worries about the chemicals), transportation services, and furnishings (the customer rents rather than purchases furnishings).[22]

ENTERPRISE UNUSUAL: THE FOR-BENEFIT CORPORATION, B CORPORATION, AND CONSCIOUS CAPITALISM

Dematerialization and servicizing, along with corporate responsibility and sustainability initiatives that many, particularly large, companies have adopted, are only some of the moves toward SEE Change. In addition, there are many new and evolving business enterprises that take social, human, and ecological benefit alongside profit to be their purposes rather than focusing narrowly only on profits. To the extent that such enterprises use disruptive technologies like the electronic and dematerialized forms explored

above—and incorporate multiple stakeholders into their statement of purposes, they may well represent new ways for people to express their humanity and their dreams—as well as new forms of enterprise that provide the basis of creative destruction that Schumpeter argued is how capitalism shifts.

Below, we will explore new forms of *business enterprise* that are now emerging and that are explicitly designed with a multiple bottom line imperative at their core, although we will not cover the initiatives of traditional corporations in adopting responsibility and sustainability initiatives as they are covered well elsewhere. Like the redesign of the corporate form, now under discussion in a group called Corporation 2020 (see http://www. corporation2020.org), these SEE Change enterprises build in profits, society, and ecology to their business purposes and strategies. Three interesting developments in recent years are the for-benefit, the B corporation, and a nascent conscious capitalism movement. Both of these types of business enterprises explicitly take social and ecological considerations into account in their business strategies and purposes.

For-Benefit Corporations

A similar innovation to B corporations and perhaps a form of social entrepreneurship is the "for benefit corporation," a term apparently coined by the *New York Times* in talking about a company called Altrushare in 2007. Altrushare is a brokerage firm in which two charities jointly own a controlling interest. It is an example of what the *Times* called "the emerging convergence of for-profit money-making and non-profit mission."[23] The International Finance Corporation picked up the term, arguing that it had been supporting emerging "for-benefit" companies for years without the label, as a way of developing emerging markets.[24]

Although some economists, such as Michael Jensen, argue that companies (or any enterprise) can serve only one master, or what Jensen terms one objective function (typically profit maximizing),[25] the idea behind for-benefit, B corporations, and fourth sector enterprise more generally is that it is indeed possible for companies to successfully negotiate multiple bottom lines. A growing array of social entrepreneurs around the world is proving

that assertion is incorrect as they are successfully navigating between the two worlds of doing well financially and doing good for the world.

B Corporations

In an interesting development aligned with the concept of the for-benefit corporation, a group of companies in the United States recently agreed to change their governance documents and become "B Corporations." A group of 81 pioneering, mostly relatively small, companies, including Seventh Generation, Trillium Asset Management, and White Dog Café founded B Corporation with the intent of trying to provide consumers with access to information about branded companies that are certified as actually having met specific criteria related to corporate responsibility. B Corporation at this writing had 255 members holding more than $1.1 billion in revenues and covering 54 industries.[26]

A B corporation attempts to use business' power to deal with complex social and ecological problems, live up to transparent, comprehensive social and environmental standards by building these values into companies' governing documents. They also incorporate stakeholders', not just shareholders', interests into their core governance structure and purposes.[27] By bringing together stakeholder interests, they hope to "build collective voice through the power of a unifying brand."[28]

B Corporation created what it calls a "Declaration of Interdependence" that frames its mission. In this declaration, the B Corporation companies state "That we must be the change we seek in the world. That all business ought to be conducted as if people and place mattered. That, though their products, practices, and profits, businesses should aspire to do no harm and benefit all. To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations."[29] In 2009, *Business Week* published a list of 25 of what it termed "America's Most Promising Social Entrepreneurs." On that list were seven of the B Corporation companies.[30] Examples of B Corporation include King Arthur Flour, a Vermont, US-based flour company that is employee owned, and Seventh Generation, which provides natural and nontoxic household and personal care products.

Conscious Capitalism

Another development—deliberately designed as a movement—is the nascent conscious capitalism movement, which argues that a conscious business rests of three core principles:

1. *Deeper Purpose:* Recognizing that every business has a deeper purpose than merely profit maximization, a Conscious Business is clear about and focused on fulfilling its deeper purpose.
2. *Stakeholder Model:* A Conscious Business focuses on delivering value to all of its stakeholders and works to align and harmonize the interests of customers, employees, suppliers, investors, the community, and the environment to the greatest extent possible.
3. *Conscious Leadership:* In a Conscious Business, management embodies conscious leadership and fosters it throughout the organization. Conscious leaders serve as stewards to the company's deeper purpose and its stakeholders, focusing on fulfilling the company's purpose, delivering value to its stakeholders, and facilitating a harmony of interests rather than on personal gain and self-aggrandizement. Conscious leaders cultivate awareness throughout their business ecosystem, beginning with themselves and their team members, and moving into their relationships with each other and other stakeholders.[31]

C3, or Catalyzing Conscious Capitalism, was cofounded by Whole Foods CEO John Mackey, a leading company in natural and organic food retailing, to help create and deepen the conscious capitalism movement so that more enterprises could join Whole Foods, The Container Store, Joie de Vivre Hotels, and REI, among others, in achieving these goals.

On its website, C3 provides a rationale for choosing the term conscious capitalism: "The choice of the term 'conscious capitalism' has been made after considerable thought. We believe this term best captures the depth and complexity of the changes in the business-operating model that are needed. It reflects the fact that more people today are at higher levels of consciousness about themselves and the world around them than ever before. This is due in part to natural evolution, but also to the rapid

aging of society, which has resulted in a higher proportion of people in mid-life and beyond, when consciousness is raised and higher-level needs predominate. The advent of the Internet has accelerated and cemented this trend, simultaneously connecting hundreds of millions of people and placing great demands for transparency on companies."[32]

Biomimicry

One emerging orientation for SEE Change is the evolution of biomimicry. Biomimicry is an "emerging discipline that studies nature's best ideas and then imitates these designs and processes to solve human problems" according to the Biomimicry website and emerging movement founded by science writer Jeanine Benyus.[33] According to Benyus, biomimicry focuses on designs based in nature to create products, processes, and even organizations and policies that are sustainable and adapted to nature's ways. The scientists work on the premise that nature "knows" what works, is appropriate, and lasts, that is, is sustainable, and that by imitating nature's ways, human enterprise can be created in a significantly more sustainable manner.

While companies actually producing things through biomimicry's techniques are still few in number, Benyus argues that such approaches, even though difficult to achieve, could produce results that avoid the toxic chemicals and resource-intensive manufacturing methods employed in much modern manufacturing.[34] Among products that have already been developed using biomimicry's approaches, reporting on a website entitled "the 15 coolest cases of biommimicry," however, are Velcro (which uses the way that burrs stick to things to create a zipper-like fastener), gecko tape (a tape covered with nanoscopic hairs like those on geckos to create a potent adhesive), and self-healing plastics (that use polymer composite hollow fibers filled with epoxy that is released if the fibers are stressed or cracked to reseal a tear). Another item, which helped US swimmer Mark Phelps achieve his Olympic triumph of eight medals in Beijing in 2008, is the Speedo "Fastskin FSII swimsuit," which is based on shark skin's ability to reduce drag.

BLURRING BOUNDARIES: SOCIAL ENTREPRENEURSHIP AND AN EMERGING FOURTH SECTOR

The "wicked problems" of sustainability, climate change, poverty, economic and social development, food production, human security, and other ecological problems, to name a few, have created a glaring need for more organizations that reach across traditional sector boundaries and purposes. These entities, which are attempting to solve the messes or wicked problems, have resulted in the emergence of what is being called the "fourth sector."[35]

The fourth sector labeling recognizes the blurring of boundaries that has occurred in many types of enterprises, particularly around what Jed Emerson has called the blended value proposition[36] of making profits while simultaneously serving a social and/or ecological purpose. The fourth sector is a coalition of multi-sector leaders from a wide variety of enterprises focused on developing a fourth sector of society. Fourth sector's website and first report notes, as we have above, that boundaries between public and private enterprise are and have for some time been blurring.[37] In this context, fourth sector's founder Heerad Sabati points out that many companies are engaging in a wide array of activities that have social purpose as well as profit-making potential, including numerous large corporations. Among the efforts that large companies are already engaged in are corporate social responsibility, cause-related marketing and purchasing, carbon offset programs, corporate philanthropy, environmental management and sustainability programs, community relations, socially responsible investment and triple bottom line approaches, stakeholder accountability, increasing transparency, and sustainability reporting, among others.[38]

Implicitly, following Schumpeter's theory of creative destruction, fourth sector highlights the surge in new types of enterprises that have begun—from inception or soon thereafter—to cross sector, goal, and organizational boundaries. Enterprises of the fourth sector go by many labels and involve many different types of what are called "hybrid" organizations and enterprises—hybrid because they do not neatly fit traditional categories of private, nonprofit/NGO, or governmental organizations. Other labels for hybrid organizations include social enterprises, chaordic organi-

zations, sustainable enterprises, blended value organizations, new profit companies, common good corporations, and social businesses.[39]

Because fourth sector enterprises blend purposes, their value proposition is by definition mixed. There are also numerous types of entities that can broadly be labeled social enterprises that arise initially from the perspective of other sectors, including non-profit enterprises, community wealth enterprises, ethical social institutions, faith-based enterprises, civic/municipal enterprises, community-interest organizations, and community development corporations.[40] Furthermore, there are numerous cross-sector partnerships, multi-sector collaborations, and related multiple sector enterprises working to achieve common good purposes, some of which are what Waddell and Khagram call global action networks (GANs).[41]

Many NGOs or CSOs are engaging in business-related practices to improve their performance, becoming more businesslike in the process. For example, NGOs frequently engage in defining measurable impact, use market discipline to harness their energy, employ efficiency and accountability methods developed in businesses. They also sometimes try to develop profit-making ventures to ensure that economic viability or engage in social investment activities.[42] Generally, as they attempt to become more efficient and effective in achieving their social mission, NGOs are finding that it is important to use more businesslike approaches, including, at times, profit-making activities that can bolster the bottom line.

The argument that fourth sector makes is that the blending of value in all of these enterprises is actually constructing a new—fourth—sector that differs from the traditional three sectors or spheres of business/economics, government/public policy, and civil society[43] because of the blended value proposition[44] integral to these different types of enterprise. In what it terms a convergence of organization into a "new landscape that integrates social purposes with business methods,"[45] these hybrid organizations are rapidly evolving and creating new ways of dealing with the wicked problems that our world is facing.

One example of a fourth sector enterprise is a new joint initiative by Grameen Bank of Bangladesh and Danone Foods of France called Grameen Danone Foods, which produces an enriched

yogurt at a price that even very poor families can afford as a way of improving children's nutrition in Bangladesh.

SOCIAL ENTERPRISE/SOCIAL ENTREPRENEURS

There are also emerging enterprises that are largely business enterprises that are deliberately established for social benefit. Such enterprises are also sometimes labeled social enterprise— and they are started by individuals who are social entrepreneurs. Fourth sector enterprises of all sorts deliberately cross boundaries at their inception, while social enterprises frequently arise within a sector—and then cross boundaries as they evolve their purposes. Conceptually and in practice, however, there is a good deal of overlap among what might be labeled fourth sector enterprises and what have been called social enterprises or social entrepreneurial organizations.

Social Entrepreneurship—From Within Big Corporations

Social enterprises are often thought of as mission-driven businesses with multiple (at least dual) bottom lines: profitability and some social or ecological benefit. In social enterprise, the mission serves some social and/or sustainability purposes, typically in addition to generating enough profits to at least sustain the entity and often to make money much as traditional business enterprises do. Social enterprises can be for-profit or not-for profit, and they typically have at least the dual objectives of being profitable or balancing their budgets while seeking beneficial social change. They also tend to use business approaches to accomplish their objectives as opposed to the less structured "social good" approaches that many purely charitable organizations use.[46]

Many so-called "bottom of the pyramid" enterprises are social enterprises. The term "bottom of the pyramid" (BoP) comes from the work of the late C. K. Prahalad, who published a book by that name in 2005.[47] Corporate strategy and sustainability scholar Stuart Hart has also written extensively on how to solve the world's problems through social entrepreneurship.[48] Prahalad argued that there was a fortune to be made by companies who engaged in business with the four to five billion people at the

"bottom of the pyramid" who are living in significant levels of poverty. He argues that, starting with respect for the poor as individuals, companies can and should use creative and innovative approaches, such as what Clayton Christensen and coauthors have called catalytic or disruptive innovations for social change.

The Christensen approach, which is based on his earlier work on disruptive innovative, suggests that catalytic *social* change has five qualities. Catalytic social entrepreneurs create systemic social change through scaling and replication. They meet a need that is either over-served (existing solution is more complex, expensive than some people need) or not served at all. They offer products and services that are simpler and less costly than existing alternatives and may have lower performance perception, too, but are perceived as good enough by their target customers. Furthermore, such catalytic social changes generate resources (donations, grants, volunteers, intellectual capital) in ways initially unattractive to incumbent competitors, and often are ignored, disparaged, or even encouraged by existing players (because the business model would be unprofitable for them).[49]

Not all social entrepreneurship, of course, is disruptive in the sense that Christensen discusses. Some of it is aimed simply at meeting previously unmet needs among poor or otherwise unserved populations. In his books and papers, C.K. Prahalad and his coauthors have argued that assumptions that people with low incomes do not spend money on goods and services or that barriers like corruption, illiteracy, and lack of infrastructure too frequently cause businesses to avoid the large population of people mired in poverty. He argues that this view is outdated. Prahalad points out that despite these assumptions, many corporations do, in fact, serve this population. Particularly in aggregate, the buying power of the bottom-of-the pyramid population is quite large, and that meeting the needs of this market for low-priced, reasonable quality goods could enhance revenues.[50]

Although some critics question whether the market is in fact nearly as large as Prahalad has argued and the consumption-oriented perspective Prahalad took,[51] nonetheless there has been an explosion of interest in social entrepreneurship. Similarly to Christensen's approach, Prahalad suggests that strategies for large corporations attempting to serve the bottom of the pyramid

involve thinking more creatively, dealing with the assumptions that the market is fundamentally flawed, educating managers to the opportunities in the market, and focusing business development specifically at these markets. Making alliances with local entrepreneurs (especially, sometimes, women), changing internal structures to accommodate the differences in BoP markets, and dealing with local difficulties related to infrastructure, connectivity, corruption also need to be handled carefully.[52]

Social Entrepreneurship from Start-ups

The purposes of social enterprise tend to lean toward meeting some social or ecological need that the founding social entrepreneurs believe to be in the public interest or common good. Generally, they fit what might be characterized as progressive agendas. Many are focused on sustainability as well as positive social change, for instance, efforts to reduce poverty or create entrepreneurial activities among the poor through business activities can be viewed as social entrepreneurship, as can efforts to create businesses that serve otherwise unmet real needs or enhance sustainability. Unlike governmental bodies, however, social enterprises represent the entrepreneurs' notions about what the social benefit they intend is. They are in no way elected representatives of the public and in that sense their orientation toward the public good is based on whatever definition of the public good the entrepreneur applies.

Social Entrepreneurship and Enterprise

According to Ashoka, which over time has supported more than 2,000 social entrepreneurship through its Ashoka Fellows program with stipends, professional development, and networking, social entrepreneurs are "ambitious and persistent, tackling major social issues, and offering new ideas for wide-scale change."[53] Ashoka views social entrepreneurs as passionate system changers, who "often seem possessed by their ideas, committing their lives to changing the direction of their field. They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else."[54]

The enterprises created by social entrepreneurs emerge in a variety of ways. Some, as discussed above, are divisions or initiatives that are created in large multinational corporations because the company believes it can "do well by doing good," that is, make a profit while serving some unmet social or ecological need or niche. Others are formed as entrepreneurial ventures and are designed from their inception to have the dual purpose of profits and social purpose. In some places, entities that serve social needs, like credit unions, associations, and cooperatives, are also considered to be social enterprises. Increasingly, non-profit organizations too are engaging in money-making activities that generate profits as a means of supporting their social goals, and sometimes these too are classified as social enterprises. Social enterprises are founded or initiated within larger entities by social entrepreneurs who have certain general characteristics.

Social Enterprise within NGOs or as Nonprofit Enterprises

Social enterprise also takes place increasingly inside NGOs and civil society organizations, when they attempt to provide a stable source of income for their mission- or values-driven activities by developing an internal business model. David Bornstein, after documenting the impressive growth in NGOs in recent times, argues that these so-called independent, third, or not-for-profit sector enterprises should be labeled citizen sector enterprises.[55] Social entrepreneurs starting from the citizen sector increasingly need to adopt business models to sustain their businesses, even while they do not seek profits in the traditional sense.

To provide a steady source of income, for example, some social enterprises might create a business within the larger entity, for example, selling supplies or other goods so that they are bringing in money on a regular basis without having to rely on grants. Others create a business model that brings in resources but do not aim for profits, just an ability for the enterprise to survive. One interesting example of a social enterprise is called Invennovations. Invennovations is an NGO that bills itself as "putting the access puzzle together for the 'base of the pyramid.'"[56]

Micro-Enterprise and Microfinance

One of the important advances made in recent years has been the development of microfinance approaches to fund small businesses and entrepreneurs, particularly in developing countries where such approaches are used to try to bring people out of extreme poverty. Microfinance or micro-credit is premised on making quite small loans to entrepreneurs, frequently women, with little collateral, but who are willing to serve in a peer-based support and repayment network. The idea behind microfinance was pioneered by Mohammed Yunas, who, with Grameen Bank, won the Nobel Peace Prize in 2006 to provide small loans mostly to women so that they could fund small businesses from which they could earn enough to lift themselves and their families out of grinding poverty.

Grameen is perhaps the world's best known microfinance agency but its approaches have since been adopted by the United Nations and numerous other agencies to forward the entrepreneurship and small business efforts of people in poverty as well as some profit-making enterprises. In founding Grameen Bank,[57] Yunas understood that conventional banking practices would be too costly, so he created a system of local support based on the belief that credit is a basic human right that should foster human potential for growth, rather than relying on conventional thinking that fundamentally rests on the principle that "the more you have, the more you can get."[58]

As a leading microfinance bank, Grameen now serves more than eight million borrowers, of which 97% are women, has more than 2,500 branches, and serves more than 80,000 villages in Bangladesh. Grameen operates at the local level by providing very small loans to local entrepreneurs, organizing small groups of them into networks to ensure repayment. In contrast to conventional banking, Grameen's focus is on women, in the belief that they will use resources gained from their business to provide food, shelter, clothing, and opportunities for their children. It operates predominantly in small villages and rural areas, bringing the banking services to the people in their villages, and repayment occurs weekly in small installments. Combining social, antipoverty, and economic development objectives along with profitability goals, Grameen—and other microfinance entities—has a 97% repayment rate.

Today, there are many types of microfinance institutions, mostly supporting various forms of microenterprise. Most of these are microfinance institutions, founded like Grameen Bank to provide these very small, non-collateralized loans to the very poor. Sometimes, micro-finance institutions (MFIs) are run as for-profit entities because repayment rates tend to be very good, while others are organized as credit unions, financial cooperative, and even state-owned development agencies, and sometimes postal services.[59] Sometimes microloans and microcredit are criticized because of their high interest rates (which can range from as low as 4% to as much as 50%), and for lack of an actual ability to bring people totally out of poverty. Interest rates tend to be high because of the cost of administering numerous small loans, the need for loan officers to be present in many villages on a regular basis to ensure repayment, and because of related factors that mean that microfinance tends to be a costly service.

Despite criticisms and a good deal of uncertainty about whether microfinance actually alleviates poverty or changes lives,[60] there is evidence that access to microloans reduces the vulnerability of loan recipients to the ill effects of poverty, reduces financial insecurity, and enhances the consistency of their income flows.[61] Other studies suggest different benefits, articulated as more family income and quality of life, particularly since most loan recipients are women and spend on their families, promoting habits of saving among borrowers, raising awareness and empowering women, and motivating women, for example, in Bangladesh, to participate more actively in civic activities.[62]

CONCLUDING THOUGHTS

Above, we have reviewed numerous types of enterprise that constitute the emergence of what we call SEE Change, the shift to a sustainable enterprise economy. Whether the types of enterprise briefly outlined above can actually help shift the momentum of the world toward a more socially equitable, responsible, and sustainable orientation remains to be seen. Business, of course, is only one sector, although its impact on the world has been profound. Although it is frequently claimed that much of job creation and certainly much of local economies rests in the small and

medium-sized enterprise (SME) sector, it is the large multinational corporations that today dominate the world. It is their influence that has had the most problematic impacts on ecology and on some societies. Furthermore, of course, large businesses have also provided significant impetus for economic development and improvements in many parts of the world, including the provision needed goods and services as well as jobs. For businesses to shift toward SEE Change, and particularly for the relatively smaller, more socially conscious businesses discussed here to "disrupt" the current social order, they will need to gain in dominance and power. Yet, as is notable in today's economy, this type of creative disruption, as Schumpeter named it, happens constantly—and is evident in many of today's dominant enterprises. Just think of Google, eBay, and Facebook, to name a very few. It is in this process of creative disruption that we believe hope for a better future lies.

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