



Is your organization conducive to the continuous creation of social value? Toward a social corporate entrepreneurship scale

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Abstract Over the last decade, explicit emphasis on the creation of social value has grown in profit-seeking firms as well as nonprofits and has even led to the emergence of a new legal organizational classification known as for-benefit corporations. Like financial value, social value is dynamic and therefore subject to perpetual changes in the firm's external environment, changes that yield opportunities and threats for the firm. Although social entrepreneurship researchers have begun to study the identification and exploitation of opportunities to create social value, this research has taken place primarily within the context of startup organizations. In contrast, corporate entrepreneurship research has emphasized value creation within existing firms, but focused primarily on the identification and exploitation of opportunities to create financial value. Combining the two, we examine the creation of social value within the firm by proposing the social corporate entrepreneurship scale (SCES), a new instrument that measures organizational antecedents for social corporate entrepreneurship and offers managers an opportunity to analyze whether the perceived environment is supportive of corporate entrepreneurial behaviors intended to create social as well as financial value. The article concludes with a discussion of the instrument's potential contribution to managerial practice.

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1. The rise of social value creation in business

Organizations vary in how much they emphasize the explicit creation of social value, defined as creating benefits beyond those captured by their creator (Auerswald, 2009; Miller, Grimes, McMullen, & Vogus, 2012; Santos, 2012). Some organizations, such as nonprofits, are focused almost exclusively on creating social value, whereas others, such as profit-maximizing firms, may view it as a pleasant by-product of their activities. Most organizations exist as variants somewhere in between these extremes.

For example, the Girl Scouts of America, a non-profit organization, has become known almost as much for a product that they use to fund their activities—Girl Scout cookies—as they are for their scouting activities. Cookie sales introduce financial value to an organization that exists to create social value. Beyond nonprofits seeking earned income are social enterprises, which seek to balance social and financial value by tackling social problems through business solutions. WaterHealth International, for example, provides safe water to the poor in India, the Philippines, and Ghana at prices near cost (McMullen & Bergman, *in press*). Next on the continuum are for-profit companies that prioritize financial value while remaining explicitly committed to social value in the form of social responsibility—some are certified as for-benefit corporations (B Corps) and L3Cs (McMullen & Warnick, 2016) while others have inextricably linked the creation of social value to their economic value proposition. For instance, Toms Shoes and Warby Parker (eyewear) both employ a ‘buy one, give one’ model in which every purchase results in a donation of the product to the disadvantaged. Finally, there are corporations, such as Timberland and Patagonia, that are renowned for their progressive stance toward corporate social responsibility—viewing it as part of their identity and integral to their brand—as opposed to some obligation engaged in merely to ensure the firm’s continuing social license to operate.

In recent years, there has been a decided increase in the emphasis of social value creation by all organizations, including for-profit organizations because (1) customers want to buy from these companies, (2) employees want to work for them, (3) investors are willing to invest in them, and (4) entrepreneurs hope to start them. Seeking to leverage this growing customer desire for socially conscious capitalism, for example, Bono and Bobby Shriver created the Product Red campaign, a licensed brand that partners with private companies such as Nike, American Express, and Apple to

raise money for and awareness about AIDS in Africa. Studies have shown that meaning is one of the most important job attributes to millennials (De Hauw & De Vos, 2010) and that companies known for their corporate social responsibility tend to attract better talent (Bhattacharya, Sen, & Korschun, 2008). Even investors have become more conscious about the social value of the activities responsible for generating the returns they are seeking. For example, both Toms Shoes and Warby Parker have emerged in the last decade in well-established industries, but each already boasts market capitalization of over \$1.2 billion. Similarly, social impact funds—as well as online investing and giving to organizations such as Kickstarter, Kiva, and Grameen Bank—have experienced explosive growth over the last decade (Höchstädter & Scheck, 2015; Santos, 2012). The rise of socially conscious entrepreneurship is also evident in the emergence of social entrepreneurship and the B Corp movement, a legal organizational form in 27 states at last count (McMullen & Warnick, 2016). Thus, the explicit creation of social value as an objective in itself, and not merely a pleasant by-product of the organization’s activities, is clearly on the rise.

2. All value creation is a dynamic process

With this increased emphasis on making the organization’s social value proposition more explicit comes new challenges. A case in point is offered by Muhammad Yunus, who is perhaps the most visible of all proponents for creating social value through business. Since receiving the 2006 Nobel Peace prize for his microfinance work with Grameen Bank, Muhammad Yunus has increasingly advocated a new kind of capitalism aimed at aiding the poor through business. As opposed to the Grameen Bank, which seeks to aid the poor directly by giving them full majority ownership of a profit maximizing business and thus the dividends and equity growth it generates, Yunus proposed a second form of social business which sought to benefit the poor indirectly through the social benefit of the goods and services it produces. Investors seeking social benefits create a special type of company, where the mission of the firm is not profit-maximization but the maximization of social indicators to be specified. Dividends are not distributed and all profits are retained for growth. This type of social business is a “no-loss, no-dividend, self-sustaining company,” where investors can “get back their investment money, but . . . [p]rofit would be ploughed back into the company to expand its outreach and

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