Sustainable development: from responsibility to entrepreneurship

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1. INTRODUCING THE THEME

The reason for organizing and releasing a special issue of RAUSP – Revista de Administração da Universidade de São Paulo [the Management Journal of the University of São Paulo] focused on the emergence of Social Entrepreneurship and Socio-Environmental Business is that this is in line with the initiative of expanding knowledge on Multidimensional Sustainable Development. The idea is to try to understand the theoretical and empirical relations between the forever renewed challenge of development and the emergence of enterprises centered on the creation of both economic value and social value.

The opportunity to study this growing organizational phenomenon and to associate it with the overcoming of socio-economic conditions of inequity and exclusion arose in academia, which, until recently, focused on researching the development path of civil society organizations and of social movements on one hand, and the mobilization of corporate responsibility in relation to socio-environmental problems on the other hand. CEATS(1), since the mid-1990s, has operated along these lines, providing technical support for the initiatives of companies, public agencies and organized civil society, as well as producing and disseminating systematized knowledge of these themes.

The corporate needs met by CEATS reflect the change trends that have taken place in Brazil during the last 15 years in the area of corporate social activities. The more mature initiatives based on private-sector social investments(2) and on corporate responsibility practices indicate that the concept of philanthropy has been left behind, the stage having been turned over to corporate sustainability strategies. This is not a case of merely semantic changes, but of embracing a systemic and multidimensional view of sustainability, characterized by innovation in various senses. Amongst these, the activities that stand out for their importance, from the viewpoint of these studies, are those that propose not only to add value to the capital of the enterprise, but also to the social capital(3) of the ecosystem to which the enterprise belongs, as well as to the corporate activities that pursue balanced results in both the social and the environmental spheres.

Concurrently, by supporting the improvement of the management of civil society organizations and of cross-sector strategic alliances (FISCHER, 2002)
designed to reduce social problems, CEATS produced extensive research material tracking the evolution of social entrepreneurship. One of the strong points of this production results from being part of SEKN(4), a network of which CEATS was one of the founding members and in which it continues to be the only Brazilian organization, representing the University of São Paulo.

SEKN was established in 2001. It is a multi-institutional and multinational network. This enables it to conduct comparative studies and to create teaching materials based on them. These materials are used for teaching, training and development. The first cycle of research, centered on the study of cross-sector partnering and alliances, fostered an understanding of the key role of collaboration among organizations, so that initiatives designed to reduce poverty and its ensuing social problems might achieve results and improve their technical and management methods. Besides creating 24 teaching cases and one book (AUSTIN et al., 2004) with comparative analyses of the collaboration among social organizations, public agencies and companies, an accurate study of the results of these alliances foretold the emergence of social enterprises extending beyond projects characterized as “third sector” and “social responsibility” initiatives.

A second cycle of research conducted by the academic institutions of the countries involved with SEKN produced another set of cases and one more publication (AUSTIN et al., 2006), focused on describing and analyzing the organizational, technical and administrative characteristics of the enterprises mapped in the empirical investigation. This phase of the studies yielded questions about this phenomenon, which was just emerging at that time: what were innovations of these new enterprises relative to traditional entrepreneurship of a strictly economic character? What were the limits of their financial sustainability and of the competitiveness of their market relations? What socio-environmental changes might actually ensue from their activities?

These thoughts guided the efforts of SEKN’s third cycle, which strove to identify the economic and the social value generated by these enterprises. This is one of the chief dilemmas of those who study the issue. Besides producing Brazilian social entrepreneurship cases and co-authoring the third book of analyses of the enterprises researched (MÁRQUEZ, REFICCO, and BERGER, 2010), CEATS’ participation in this SEKN cycle of work uncovered a whole field of new practices, concepts and ideas that were being built: inclusive markets, sustainable businesses, and socio-environmental enterprises. In other words, a vast and diverse nomenclature arose that, if it still fails to be entirely precise, due to blending ideological advocacies with practical proposals, nevertheless has the merit of expanding the “enterprise” field, in the sense of the room taken up by enterprises that innovate not only because they resort to innovative means and resources, but also because their intents and purposes comprise innovative proposals.

Thus, the act of being enterprising and making this entrepreneurship come true – in the form of an enterprise – are neither limited to the traditional models of the current economic standards, nor limited to the established set of market relations. To the contrary, the notions underlying some of them may even propose breaking away from certain parameters. These novelties include the informal currencies of the community banks, the bartering of goods in regional markets, “crowd business” financing, and “crosscrowding” business generation.

It is because one finds oneself at the threshold of new and innovative proposals that it is necessary to try to recover in the studies and research that are underway the possible relation between the flourishing and the consolidation of these entrepreneurial initiatives. It is equally necessary to find out what might be their possibilities of influencing processes of transformation, from arrangements that fuel local development to initiatives that encourage multidimensional and sustainable development (SACHS, 2002). These are the circumstances surrounding the proposal of this publication: to demarcate this point in time by describing the characteristics of these organizations, how they work and what their results are; outlining the evolution of the concepts, theoretical explanations and practical proposals that constitute this state of affairs; and prospecting trends toward the emergence and consolidation of social enterprises capable of influencing significant social changes.

2. PUTTING DEVELOPMENT INTO PERSPECTIVE

Although the traditional poverty indicators show that the destitute segment of Brazil’s population has dropped, social exclusion continues to be a matter of great concern, because income distribution inequality and other conditioning factors continue to limit the access of millions of people to “citizenship rights.” Distributing handouts is not enough: it is necessary to ensure that means are equitably distributed and to equalize the access of people to circumstances that will allow them to achieve a level of personal freedom that will, in turn, enable their full participation in social and political life.

The status quo, which has remained virtually unchanged over time, has spurred all of those who are uncomfortable with this inequity to take up the challenge of finding development paths. During the 1960s and 1970s, both academics and investors based their vision of development on the growth of industrial production. This standpoint was the basis for all the programs aimed at reducing regional disparities through the combined action of the State and of very large private-sector enterprises.

Development was synonymous with urban and industrial growth, centered on macroeconomic targets and often divorced from the specific environmental and social needs of each place and of its population. The set of Brazilian realities was seen as a homogenous factor, the development of which would be
leverage by the growth of industrial activity and of urban consumption and by modernizing habits and uses.

The effects of this limited vision became glaring in the social indicators, which led to the famous metaphor about there being two contradictory “Brazils.” Fast urban development, de-structuring migrations, irrational exploitation of natural resources and, above all, the low standards of living of major population segments made it evident that the model was lacking when it came to creating economic balance and social justice.

In the 1980s, the international economic recession deepened the inequality that has always characterized social relations in Brazil. In opposition to the proposal of accelerated economic and industrial growth, the concept of development started, at this time, to be defined in a broader sense, taking into account the notion of sustainability.

Originally devised in connection with environmental conservation, the meaning of the sustainability qualifier was then extended to encompass a more complex construct, concurrently absorbing a broad range of components of social life. In other words, development ceased to be synonymous with growth in some of the modern sectors of the economy, becoming instead the proposition of ongoing improvement of the various factors that influence human wellbeing and people’s living and social conditions. As Rattner stated, what was at stake was the establishment of circumstances “capable of leading to the formulation of policies and guidelines for the rationalizing intervention that postulates that the common good and public causes should take precedence over private interests” (RATTNER, 1991, p.36).

According to this view of development, spending on education, healthcare and nutrition should not be regarded as a social cost, but as investments essential to ensuring equitable social standards. Moreover, sustainability presupposes that multiple sets of social, economic and political forces should be articulated in such a way as to simultaneously lead to a more balanced distribution of income among the population and a better standard of living, as well improving citizens’ access to civil rights and public services and assuring the preservation and maintenance of suitable reproductive conditions of natural resources.

According to this proposition, economic factors are not arranged hierarchically and in such as way as to determine the other components of the social scene. Neither is industrial growth seen as the determinant of the development of the aspects of life in a society. The evolution of development is not proposed as a linear path, in which the accumulation of wealth in one sector of the economy or in one social class is a prerequisite for subsequent distribution that supposedly leverages the other sectors and social segments. To the contrary, sustainability determines that the standards of development must be established based on the multiple and specific components of each reality: the available supply of human, natural and material resources; the vocation for economic production that the physical, geographical, historical and cultural circumstances of each region dictate; and local requirements and needs, as well as the potentials and the experiences conducted.

This vision was incorporated into and disseminated by several sources. In 1996, Amartya Sen, then a World Bank lecturer and a Harvard researcher, stated that growth and productivity were tied to investing in the social areas, because there is interdependence between human development, the generation of competencies and the expansion of these in the form of productive capacities.

“There is a marked complementarity between the condition of individual agent and the social provisions: simultaneous acknowledgement of the centrality of individual freedom and of the power of social influences on the degree and reach of individual freedom is important. To fight the problems that we face, we must regard individual freedom as a social form of behavior. Development consists of eliminating deprivations of freedom, which limit people’s choices and opportunities to exercise thoughtfully their condition as agents” (SEN, 2000, p.10).

When the notion of capital is expanded to encompass the several types of assets that form the heritage of a people (OSTROM, 1999), one observation that stands out is that the breadth and complexity of the sustainable development proposition dictate an essential prerequisite: society’s access to full possibilities of participation and to the means of communication and interchange. The sustainability of development is a process. In other words, it is maintained by the ongoing movement of social dynamics. Therefore, it should be continuously fed by the inputs of demand and the achievement of people and of social groups. This assumes that these people and groups are able to manifest themselves, that they have channels for the attainment and exchange of information, that they know how to access the latter in order to articulate themselves and communicate, and that they have the capability of using the data obtained.

Although these requirements may be assured by the facilities that technological progress has provided in the field of telecommunication and computer science, their absorption by society depends on the political and cultural standards that sustain social relations. Therefore, adopting a sustainable social development model only occurs if and when a particular society enjoys full participation and is able to employ the means of communication to improve actions, decisions and relations.

The prospects of sustainable development are prioritarily geared toward guaranteeing people’s quality of life, the conservation of natural resources for future generations, and social justice in the distribution and in the fruition of the assets
created by humankind. These standards of development may and should be parameterized by the factors that condition the social economic conjuncture. Evidently, it would be unrealistic to advocate, in our globalized times, local development targets running against global trends. However, the achievement of certain specific market targets is not synonymous with having achieved certain levels of development, especially if and when the said targets boil down to quantitative results of isolated components of social life.

In Brazil, the re-democratization initiated in the 1980s encouraged the participation of civil society in the State modernization initiatives, especially in taking part in the development of social policies and development programs. This is an important premise, because it strengthens the country’s capacity to manage development process, previously undermined by the cycle of political authoritarianism.

The process of administrative decentralization, which began with the Constitution of 1988, transferred to the municipal administrations the execution and the evaluation of social programs and encouraged the strengthening of civil society organizations, which were invited to run certain activities or even used as an ideal model to replace the State apparatus in the provision of certain public services (SANTOS, 2001). Additionally, though this process still faces barriers to its implementation, it is potentially one of the effective tools available to hierarchize priorities among those targets that incorporate the trends of a globalized economy and those that fulfill the needs of local development processes. This is the case because this process allows the latter to become manifest, so that citizens and local society are able to take part in the generation and implementation of the activities that pertain to this development.

This set of favorable aspects led to a quantitative growth but, above all, to the expansion of the visibility of the so-called Third Sector organizations. The social movements that were formalized as non-governmental organizations (NGOs), the associations, and the philanthropy and aid organizations that already occupied the area of social participation, of volunteer work, of silent solidarity and of the assumption of citizenship began to emerge and to play more evident and significant roles among Brazilian institutions.

This movement gained power in the last decade of the twentieth century, when the need to settle social debt and to leverage Brazil’s development became stronger, while it was also becoming evident that there were deficiencies in the execution of this process. Besides democratization, it was necessary to build a State sensitive to social needs, capable of creating policies that respected diversity and that provided the means of communication to the several social players, allowing their participation. Moreover, it was necessary to summon business people, professionals and workers to play an active role in the exercise of social responsibility, whether in the organizational arenas of militancy, in the corporate context, or in day-to-day personal life.

3. THE ENTREPRENEURSHIP PERSPECTIVE

The use of the word entrepreneur has been a reductionist one in the literature on Economics and Management. It identifies people able to establish businesses configured along the organizational patterns of private-sector capitalist firms and dedicated to market relations. However, its meaning is broader, as defined by Say (5) (who stated, in the nineteenth century, that entrepreneurs were agents of economic progress, thanks to their competence in “moving economic resources from a low productivity area to an area of greater productivity and major returns”).

By embracing this broader notion, one can recognize the work of the entrepreneur in a range of organizational spheres, including non-profit organizations, cooperatives, enterprises with social and environmental purposes, and socio-environmental initiatives of private-sector companies and of public agencies. In other words, the vocation of the profile of competencies and skills of an individual entrepreneur can be realized in a wide range of organizational environments. This being the case, what sets social entrepreneurs apart from the others is that their activities focus on social change. As Dees (2001, p.2) states,

“For the social entrepreneurs, the social mission is central and explicit. The central creation becomes the impact of the mission rather than wealth. For social entrepreneurs, wealth is merely a means to a given end”.

Along these lines, Drucker (1987) highlights that the characteristic features of entrepreneurial action, such as strategic vision, innovation, a sense of opportunity, efficient management and effective results are the essential components of social entrepreneurship.

Unlike social movements, characterized by their spontaneous nature and relative informality, social enterprises have a formal legal structure, are responsible for their administrative and financial autonomy, and are players on the scene of market relations, some specificities notwithstanding. They require careful management to protect themselves from their financial vulnerability and must be sufficiently transparent to ensure their legitimacy vis-a-vis those with whom they interact.

Many such enterprises originated from civil society organizations whose performance matured and which, in the face of the challenge of assuring sustainability and financial independence, create means of generating revenues from the services that they provide and the goods that they can produce.

Others arose from corporate social activities, whether as a form of progress of the projects and partnerings that characterized the corporate responsibility programs, or as the creation or re-creation of new businesses, aimed to incorporate the social segments that were, up to that point, excluded from consumption.
Still, the emergence of enterprises neither tied to the roots of the social movements nor to third-sector organizations or corporate social responsibility initiatives is significant. They comprise

“any venture that has creating social value as its prime strategic objective and which addresses this mission in a creative and innovative fashion” (NI-CHOLLS, 2006, p.3).

In other words, they are social business proposal that aim to provide basic services in fields such as education and healthcare to the population that lacks access to the high-priced private-sector offerings and to the government’s scarce, poor quality services. Other such ventures consist of associations that focus on economic production, generating work and income for people and groups that have difficulty gaining access to formal markets because of their limited incorporation into society. There are also enterprises that focus on the environment, dedicating themselves to natural resource conservation activities, carbon emission transactions, educational programs and environmental certifications.

Thus, there is a broad and diverse range of organizations of different sizes, which may or may not be part of production chains, that may or may not belong to local production arrangements, but that are taking over the stage, in order to increase the vitality of economic relations and participation of people in social and political relations. Given these multiple possibilities, one can also witness the emergence of organizations that bring together two objectives previously seen as incompatible: financial sustainability and the creation of social value. Social enterprises, inclusive businesses, and social businesses are some of the terms currently used to explain organizations that aim to solve social problems efficiently and with financial sustainability through market mechanisms.

4. CONVERGING DEVELOPMENT PERSPECTIVES AND SOCIAL ENTERPRISES

The literature reflects three main lines of thinking that explain social business. The European perspective, born out of a tradition of social economics (associativity, cooperatives), emphasizes the activities of civil society organizations with public functions. The US perspective basically regards social businesses as private-sector organizations that operate according to market logic but that are dedicated to rendering solutions for social problems viable. Finally, the third line of thinking, predominant in developing countries, emphasizes market initiatives that aim to reduce poverty and transform the social conditions of marginalized or excluded individuals.

Because the terminology is new and in some ways imported from the corporate environment, it has been the target of “heated” debates among academics and practitioners. This is caused by the lack of a common understanding of a new concept that attempts to bring together two types of activities, considered, a priori, un-reconcilable: those geared toward conducting business and those geared toward reducing negative social and environmental impacts. Two factors explain the lack of a homogeneous view: first, the different ways of defining the socio-environmental character of the enterprises; and second, the various ways of assessing the innovative character of this type of organization. When analyzing the different definitions of social business proposed in the international literature, ranging from those employed by social business accelerating organizations (whose aim is to facilitate and accelerate the maturing and consolidation of social enterprises) to those proposed by inclusive/social business investors (institutions that allocate the national or international resources of individuals or corporations to invest in businesses that aim to solve social problems), one can draw a line that helps one to visualize definitions that are close to market logic and others in which the predominant element is social logic.

Despite the ambiguity and diversity of the terms, one can state that this type of social enterprise calls for a new format. The requirements that the management of such enterprises must meet are also novel, as managers, from the start of the enterprise, must manage the eventual conflicts and tensions that arise, since it is necessary to maximize social return while maintaining financial profitability. Therefore, they have to break away from many of the paradigms of the traditional ways of conducting business, besides rethinking the boundaries and potentialities of achieving social management.

From the onset of the enterprise, it is fundamental to innovate and to render viable new institutional arrangements. It is impossible to reproduce the traditional business model of capitalist market relations and simply add to it a dimension of social action, as was the case of the “social responsibility areas” of corporate initiatives. It is necessary to think and to act differently. This difference lies principally in the possibility of co-creation of the enterprises and of co-financing of the investment capital, in the ability to become self-sustaining, in flexible management models that guarantee transparency and participation, in the clear and precise vision of the results that must be achieved, and in the potential for the latter to achieve transforming impact.

5. CONVERGING PERSPECTIVES

Observing the two trends – the unfolding of the meaning and of the breadth of sustainable development concepts and practices, and the growth of enterprises with socio-environmental purposes, not only in countries with an ill-developed economy, but also in these regarded as belonging to the “First World” (SABETI, 2011) – those who study the theme have been asking themselves if there is any convergence between this political economy proposition and the phenomenon of creativity and
multiplicity of the organizational configurations that harbor these new businesses.

Some identities stand out in both: the first concerns the principles that inspire the world visions that support them. One can say that social enterprises, like the development proposition, rest on the generous idea that all human beings are equal; and that this EQUALITY does not allow one to admit a state of affairs such as the one that the Multidimensional Poverty Index (MPI) indicates. This index showed that in the late 2000s one third of the world population or about 1.7 billion people were poor (PNUD, 2010). The Inequality-Adjusted Human Development Index showed that the inequality of income distribution increased in most of the world and in particular in Latin America, the area where this distribution is the most unequal (PNUD, 2011).

Another principle that can be regarded as being similar in both proposals concerns DIVERSITY. The propositions that encourage development disregard the split between the perception of social elements and of environmental elements, taking over both views, so that the conservation of natural resources essential for life must also guarantee the well-being of humans and the maintenance of sociability. Along the same lines, the multiplicity of socio-environmental business propositions points to this very same broad notion: when one proposes the creation of cooperatives of solid waste scavengers in the recycling chain, the issue is not merely to generate work and income for the inclusion of professionally disqualified citizens, but also to solve the severe environmental problems that result from urban waste and to stimulate an economic production chain that so far has been little exploited and is poorly know (FISCHER et al., 2010). Alternatively, when a large producer of vegetable oils chooses to incorporate into its production process small rural farmers rather than acquiring large tracts of land to plant its raw material, it is not only trying to reduce investments and fixed costs, but also to avoid the social problems that ensue from scrapping small properties and from the impoverishment of the communities around the large company (FISCHER, BOSE, and BORBA, 2006).

Both are also based on the concept of SUSTAINABILITY. One of the chief challenges of the conception and management of socio-environmental business is how to remain sustainable across all dimensions: the sustainability that results from the enterprise’s capacity to generate effective results; the sustainability that results from stakeholders’ acknowledgement, which confers legitimacy upon the organization; and the sustainability that provides the enterprise with financial solidity and survival capabilities in the face of the crises experienced in its lifecycle, including competition vis-a-vis other initiatives and the pressures of turbulent external contexts.

To transform development into an actually sustainable process, it is important that it be sustained. One must clarify that the set of actions and interventions at play in a given socio-economic reality must be internally coherent, so that the objectives achieved are not contradictory or conflictive but, to the contrary, maintain synergy amongst them. This challenge becomes particularly complex when one takes into account the multidimensional character of this reality. This means that the development-oriented action propositions cannot, as Prof. Ignacy Sachs (2002) states, privilege a given dimension, such as economic growth, to the detriment of the others, which include the investment in and preservation of cultural assets, or the acknowledgement of the value of community assets.

Based on these reflections on the identity of principles shared by the framework of multidimensional sustainable development and the emergence of socio-environmental businesses, this publication is open to the studies and analyses of authors from different parts of the world, who, using various nomenclatures and different theoretical frameworks, are poring over the issues and dilemmas that pertain to this theme.

NOTES

(1) CEATS – Centro de Empreendedorismo Social e Administração em Terceiro Setor [Center for Social Entrepreneurship and Third Sector Management] brings together faculty members, students and researchers that focus on Social Entrepreneurship and Sustainable Development issues; it is connected with FEA-USP [Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo] and has the support of FIA – Fundação Instituto de Administração [the Management Institute Foundation]. CEATS is headed by Prof. Rosa Maria Fischer, PhD, and Prof. Graziella Comini, PhD.

(2) The concept of private or corporate social investment was adopted in Brazil in the early twenty-first century as a means of designating the allocation of resources of private-sector companies in projects and programs of a social nature, configuring a strategy of corporate social responsibility. Organizations such as GIFE – Grupo de Institutos, Fundações e Empresas and Comunitas-BISC – Benchmarking em Investimento Social Corporativo have strengthened this trend toward bringing into corporate language the terms used in social management.

(3) Social capital is a concept created by Putnam in Political Science and appropriated in local development projects with the sense of an important “resource that allows sets of humans to create environments that are favorable for good governance, economic prosperity

(4) SEKN – Social Enterprise Knowledge Network is a network of Ibero-American universities, coordinated by the Harvard Business School, to encourage the shared production of knowledge about social entrepreneurship.

(5) Jean-Baptiste Say, an early nineteenth century thinker mentioned by Dees (2001) in his paper on the meaning of the term “entrepreneur”.

REFERENCES


