

# Stanford SOCIAL INNOVATION REVIEW

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## **Big Business Matters**

By Judith Samuelson

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**STANFORD**  
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## Big Business Matters

Social *intrapreneurship* is the answer for business's woes

BY JUDITH SAMUELSON

BARACK OBAMA'S PRESIDENCY will be remembered as the era when social entrepreneurship went mainstream. An Office of Social Innovation now graces the White House. The president himself sips organic Honest Tea and his wife trumpets the benefits of "slow food" and buying local. Business schools struggle to satisfy student interest in businesses with a social spin, and socially inclined investors flood sites like Kiva.org to offer capital to small businesses in hard-to-serve regions of the world.

Why all this enthusiasm? Let's start with the fact that people don't trust "real" business anymore. They've been whipsawed by sharp reductions in savings, home values, and access to credit, and the rounds of corporate belt-tightening and layoffs that followed. Add a seemingly bottomless pit of Wall Street greed, a massive oil spill, and businesses that seem tone-deaf to the long-term consequences of their products or investments, and you have a toxic soup of deep cynicism and anger at business.

But here's the thing: Global business is the most capable agent we have to solve important problems—from climate change to poverty. It has far greater capacity than social enterprises, which are mostly start-ups or nonprofits with business activity. I'm happy social enterprises exist—they offer compelling stories of what may be possible in businesses structured around a social mission—but they are also capital starved and small in scale, and they fail to reach the starting gate in the race to solve the big questions of our day. We will not make progress on our most important problems without the active engagement of mainstream business.

In addition, all this attention to social enterprise sends a singularly unhelpful message to our current students, known for their values and social commitment: If you want to contribute to the public good, don't bother with mainstream business.

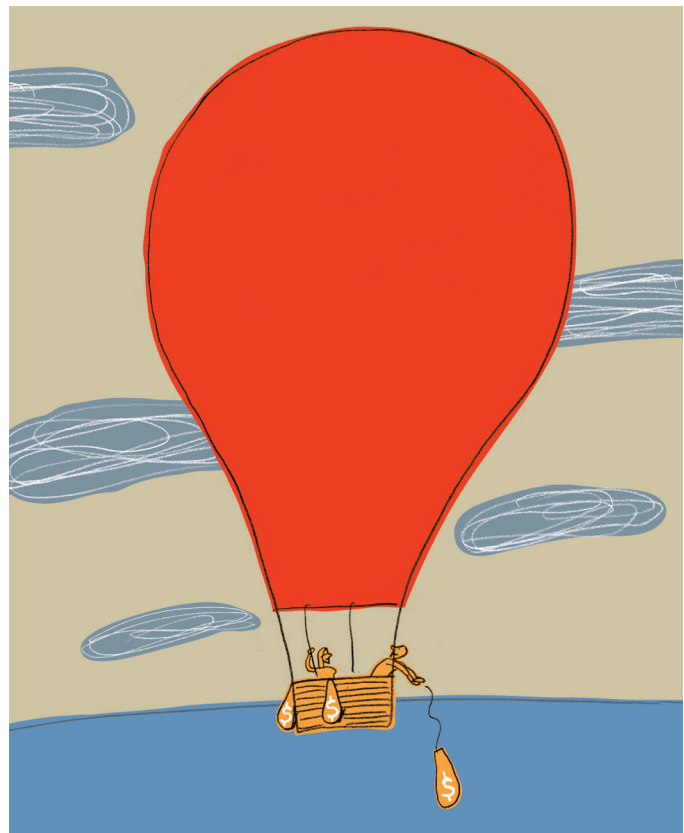
There are no easy fixes, yet the opportunity exists now to make critical change. Let's refurbish business with social entrepreneurship's best features, in the following three ways:

First, we must revisit our narrative about the purpose of the business corporation. "Maximizing profits" may be an accepted mantra on Wall Street, but it is not enshrined in either law or practice. Realigning business purpose with the public good is a critical first step in integrating social impact or environmental sustainability as business strategy.

Second, we need to unleash social

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directs the Business and Society Program at the Aspen Institute. Since 2002, she has spearheaded a broad-based dialogue on curbing short-term thinking in business and capital markets that led to the Aspen Principles for Long-Term Value Creation.



*intrapreneurs*—change agents already working deep within business—and encourage the next generation of managers to find business opportunity in our most daunting challenges.

Third, let's move values from the ethics classroom to the core of business education, and let's enable students to raise their voices in times of moral conflict. The end game: Future managers will have the will and the skill to treat ethical issues as strategically and effectively as they do business issues.

### RETHINK THE PURPOSE OF BUSINESS

If "ideas have consequences," as William F. Buckley Jr. liked to say, the most consequential idea of our time is this: "The purpose of business is to maximize profits." Although only an idea, it clearly has legs; this shareholder-centric business model has served as the organizing principle of U.S.-style capitalism for decades.

Yet in the early days of the American republic, when legal corporations were created, limited liability was granted to investors to

help amass capital for public purposes, such as colonizing trading locales and building railroads. With the future of capital markets—and capitalism itself—on the minds of so many, we have a remarkable opportunity to take a fresh look at this central idea.

Central to repurposing business are decision rules that will help managers consider environmental consciousness, healthy communities, and profit. Let's take a page from social enterprises: Prioritizing meaning over money, business metrics are used that favor long-term sustainable growth and that internalize the societal costs of doing business. Social enterprises reward managers who look for investments and strategies that pay off over the long haul, even at the expense of short-term profits; and, ideally, their boards are able to focus on long-term strategy and risk management.

Of course, if it were easy to embrace fresh thinking about business purpose, we would have done it by now. The prevailing “theory of the firm”—taught in business schools and reinforced by consulting firms and investment professionals—seduces through its simplicity and measurability. Prevailing thought equates business success with shareholders (and executives) who make as much money as possible, quarter on quarter.

And yet we now see a crack in the armor. A growing number of critics—including the academics who helped to promulgate the theory and anchor it in practice—observe that the rule of profit maximization is out of sync with consumers, Web-enabled transparency in business, and a generation of job seekers demanding meaning at work.

Integrative and systems thinking lie at the heart of a better theory. New academics have begun to take up the challenge, joining those who have been questioning conventional thinking for decades. The work ahead will employ dialogue to bridge the best ideas from both academics and business leaders hungry for new measures of success.

### UNLEASH THE SOCIAL INTRAPRENEURS

Once we align the purpose of business with our long-term vision, then globe-trotting, resource-rich, profit-seeking businesses can field strategies for tackling our most complex social and environmental problems. Businesspeople naturally organize around opportunity. In the right environment they are natural problem solvers and social innovators who almost always see the glass as half full.

Indeed, many global corporations have already jumped on the social innovation bandwagon either as a matter of survival—often in the wake of NGO campaigns—or in pursuit of growth. Given their scalability, they serve as an inspiration to mainstream businesses.

Unilever, for example, has committed to selling 100 percent sustainably sourced fish, and in 1997 the company paired with the World Wildlife Fund to create the Marine Stewardship Council, a third-party certifier that promotes responsible fishing practices worldwide. Coca-Cola, meanwhile, developed a distribution system for parts of Africa that engages more than 12,000 entrepreneurs who in turn build the economy the old-fashioned way—through local purchasing power. Dow Chemical uses municipal wastewater in the Netherlands to generate steam power that runs a plant. Wal-Mart Stores embedded deep into its supply chain a complex set of decision rules to reduce waste and save energy. And Interface, the carpet company, revolutionized carpet manufacturing by taking responsibility for

everything from the raw materials to the final product disposal.

I'd like to see more business school professors feature social intrapreneurs working in large public and private companies like these, who value complexity over simplicity and multiple objectives rather than either profit maximization or social mission. Students who study social entrepreneurship may otherwise conclude that meaningful work is limited to nonprofits or entrepreneurial start-ups with social objectives and little access to capital.

Social intrapreneurs offer the kind of leadership the world needs now. Professors who support them send a signal to the next generation of management talent, including those aiming for consulting and private equity, that to embrace complexity, transparency, and long-term metrics mitigates risk and creates value. Social intrapreneurship can become the new normal in business.

### TEACH STUDENTS TO VOICE THEIR VALUES

Business schools can also help students give voice to their values, even when the current is running hard in the other direction. We learned from Enron, and now know from the market disasters playing out around the globe, that a lack of knowledge wasn't the big issue, but rather “group think” fueled by short-termism and greed. Internal managers and agents, with adequate practice and the courage of their convictions, could have made a difference.

Giving Voice to Values, a new approach to teaching ethics created by Mary Gentile at Babson College (see “Turning Values into Action” on p. 42), deemphasizes philosophical constructs in ethics such as the “greatest good” and instead offers students the classroom's safe space to practice applying their values to business—strategically and effectively. Most students know the right thing to do. They merely lack the courage and competence to build coalitions for change and raise their voice in times of moral conflict.

Last spring, at more than 50 business schools across the globe, students gathered at graduations to sign a pledge to “do no harm” in their business careers. This interest in a Hippocratic Oath for business builds on earlier efforts at Harvard Business School, at Thunderbird School of Global Management, and among young leaders at the World Economic Forum in Davos, Switzerland; it challenges peers to hammer a stake in the ground and recognize the human element of decision making.

A small but vocal group of educators and a growing number of business executives also think the time is ripe for a moral touchstone—a credo—to help managers sustain their commitment to practicing business as if the wider world matters. Work is under way to unite these efforts with the business oath. Cynics consider the oath a fad, but these doers deserve credit for constructing habits of mind and practice—whether it is the act of signing the oath with all your classmates, as happened recently at the University of Texas at Austin, or the simple commitment to consult a friend when an ethical issue arises.

Business engaged in problems of consequence: a pipe dream or the next wave of business innovation? We have nothing to lose by jumping in and finding out. Without fundamental changes, we will continue to be vulnerable to the bubbles and excesses that reward a few highfliers at the expense of many, and fail, tragically, to unleash the power of “real business” just when we need it most. ■