

Entrepreneurial Social Responsibility: Scoping the Territory

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Abstract

In this paper we scope the relationship between entrepreneurship and corporate social responsibility (CSR). Both entrepreneurship and CSR have attracted increased interest in the early 21st century and been positioned as offering solutions to economic, social and environmental challenges. Previous attempts to determine causal influence between the two concepts have been inconclusive. We explicate the difficult to define concepts of entrepreneurship and CSR by focusing on entrepreneurial process and positive social change in particular. We identify three distinct approaches to this relationship: 'mainstream', 'counter-cultural / critical' and 'reformist' and locate our contribution in relation to these streams of ideas. Building on the CSR definition of Aguilera *et al.* (2007), we define Entrepreneurial Social Responsibility ('ESR') as the dynamic consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm to accomplish social and environmental benefits along with traditional economic gains. We argue that the territory of ESR can best be explored through the use of a multi-level analysis approach to researching the entrepreneurial process. ESR is important both conceptually and in policy terms and is an advancement because it occupies an intellectual space neither fully revealed nor addressed in existing CSR or entrepreneurship research. In moving towards a response to the research question: In what circumstances is positive social contribution an outcome of the entrepreneurial process?, we present a multi-level conceptual model of ESR. We enhance the CSR field by integrating a dynamic approach into the concept, and enhance the entrepreneurship field by opening up to more systematic study the social and environmental qualities of a social phenomenon that is often interpreted within an exclusively economic and instrumental frame of reference.

1 Introduction

Entrepreneurship is not simply about how one creates a business or the workings of the economy. It is far more about how we organise today's society.
(Brenkert 2002: 33)

We achieve what we want to achieve. If we are not achieving something, it is because we have not put our minds to it.
(Muhammad Yunnus, quoted in Haider 2007)

In the early 21st century, we have seen a rapidly increasing interest in the relationship between entrepreneurship and social responsibility, broadly defined (henceforth abbreviated to 'ESR')². With national and international governments appearing increasingly impotent in the face of global problems, including poverty, conflict, pollution and climate change, influential voices are expressing the idea we should be turning to entrepreneurial actors to generate solutions. The resulting discourse has

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² 'Social responsibility' and the pursuit of 'positive social change' are treated here as shorthand terms for the closely inter-related social, economic and environmental goals of sustainable development (SD). In using this shorthand, we also recognise the inherent limitations and tensions in SD (Pezzoli, 1997; Robinson, 2004).

engaged policy-makers, corporate actors, non-governmental organisations and prominent entrepreneurs around the world. And it is much more than empty rhetoric. There is also evidence of substantive social and environmental impacts arising from such entrepreneurial initiatives. The following examples provide a brief illustration of the kind of developments we have in mind:

- The Grameen Bank, founded by Muhammad Yunus, has extended more than \$6.5 billion in micro-credit loans; of its 7.3 million borrowers, 97% are women (Grameen 2008)
- South African musician Aubrey Mayer has secured the support of several countries and international agencies for his 'Contraction & Convergence' strategy to tackle the fundamental causes of global warming (Global Commons Institute 2008).
- Voluntary sector and social enterprise initiatives have contributed to a rapid expansion in 'Fairtrade' labelling and certification schemes, contributing to improved living and working conditions, reduced pesticide use, and improvements in animal welfare (Nicholls 2004, Moore *et al.* 2006, Fairtrade Foundation 2008).
- Since its inception in 2006, the Bill and Melinda Gates Foundation has committed more than \$14 billion in grant funding to alleviate social problems in the USA and around the world (Gates Foundation 2008)
- Entrepreneurship and social responsibility have both become closely aligned with the European Union's key policy objectives of jobs, growth, and social inclusion (CEC 2005; Verheugen, 2005, 2007).

The proliferation of practical developments 'on the ground', and the higher profile in policy circles has also found an echo in the research community, with the opening up of some new sub-fields (e.g. social entrepreneurship, environmental entrepreneurship) and the extension of more established ones (e.g. voluntary/third sector, community and development studies). There has also been a growing collection of more popular works by academics, presenting compelling arguments for a reform of contemporary capitalism, in which entrepreneurial activity – including 'grassroots' participation – is seen as a key mechanism for improving the economic position of those currently marginalised, as well as serving broader social and environmental goals (e.g. Prahalad 2004, Hart 2007)³. However, the literature is diluted across a variety of disciplinary areas with little cross-referencing and still less coherence in terms of a body of empirical research into, or conceptual development of, the phenomena surrounding social issues and entrepreneurship.

In section 2 we introduce our key concepts of entrepreneurship, CSR and ethics, drawing particularly on the work of Aguilera *et al* (2007), which is an important starting point for a number of strands in the paper. We locate our work in the influential discourse of the business case for CSR. We introduce Entrepreneurial Social Responsibility (ESR) as a concept for incorporating these perspectives and addressing weaknesses in standard CSR definitions. In section 3 we define entrepreneurship more closely in terms of the entrepreneurial process as a complex phenomenon requiring multi-level analysis. We present the three approaches in the

³ Prahalad's book is entitled 'The fortune at the bottom of the pyramid.' At the time of writing, Bill Gates had just given a speech at the World Economic Forum, Davos, promoting a similar set of ideas under the banner of 'creative capitalism'.

literature on entrepreneurship and CSR: the mainstream, counter-cultural/critical and reformist.

In section 4 we clarify our conceptualisation of Entrepreneurial Social Responsibility. We start by exploring the tensions between commercial orientation and social responsibility with the aid of Spence and Rutherford's (2001) model which puts the two concepts not as opposing ends of a spectrum but in a 2x2 matrix. Building on this, we present a model of the underlying dynamic of the entrepreneurial process. Finally, we put these two diagrams together to present a three dimensional model of the territory of ESR. We conclude by considering the implications of ESR for policy and practice, entrepreneurship and traditional CSR.

2 Introducing ESR - Ethics, CSR and positive social change through an entrepreneurial lens

2.1 Developing the Terminology: Building on Aguilera *et al* (2007)

Positive social change can be aligned with the established notions of business ethics and corporate social responsibility. Like 'entrepreneurship', there is no commonly agreed definition for any of these terms⁴. Ethics is clearly linked to moral philosophy and commonly a prescription of what behaviour ought to be (all though this varies according to the theoretical perspective taken). CSR is a term more embedded in societal expectations on corporations, and has wider currency in the corporate world than business ethics. In an extensive review of CSR and related concepts, Waddock (2004) concludes that all of the varieties cluster around the notion of collective, agency approaches to social issues. Going a little further, Wood and Logsdon (2002: 59) identify CSR as being represented by 'broad ethics-based and problem-solving norms of social reciprocity'. In common with other definitions of CSR, these suggest a rather static notion of the concept, such that it tends to be viewed as a decontextualised and binary notion, with CSR being either present or absent from the corporation. We are broadly aligned with Aguilera *et al's* (2007, p.836-7)⁵ rather more thoughtful definition of CSR to be 'consideration of, and response to, issues beyond the narrow economics, technical and legal requirements of the firm to accomplish social (and environmental) benefits along with the traditional economic gains which the firm seeks', indeed this paper builds on their approach, similarly pointing towards a multi-level theory of social change. By focusing on positive social change the authors enable a more deliberate theoretical development than has hitherto been present in the academic literature. They argue that CSR triggers positive social change for example resulting in more environmentally-friendly methods of production, improved labour relations, investments in local communities and philanthropy.

While the multi-level analysis of Aguilera *et al* (2007) allows for a degree of dynamism in their approach to understanding CSR, we feel that this aspect needs to be made more explicit. We inject dynamism into the definition by focusing on the processual nature of ESR rather than the rather more static nature of CSR:

⁴ In early 2007, a definition of the term CSR was nominated as needing to be checked for its neutrality on that contemporary barometer of meaning, Wikipedia http://en.wikipedia.org/wiki/Corporate_social_responsibility.

⁵ This reference goes back to that by Davis, 1973, p. 312.

Entrepreneurial Social Responsibility is the dynamic consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm to accomplish social and environmental benefits along with the traditional economic gains sought in the entrepreneurial process. Hence we are concerned with the nature of the link between an inherently dynamic entrepreneurial process and the influence it has on positive social change. In order to investigate this we draw together the literature from relevant fields of inquiry: CSR, business ethics, entrepreneurship and small business. These include research on corporate social responsibility and ethics in small enterprises (for summaries see Hannafey, 2003; Moore and Spence, 2006), work on entrepreneurs as productive, unproductive and destructive contributors to society (Baumol, 1990) and perspectives on the perceived tension between profit maximisation and social responsibility (Spence and Rutherford, 2003; Austin, Stevenson and Wei-Skillern, 2006). On the other hand, research in to social entrepreneurship and environmental entrepreneurs promotes social and environmental issues as opportunities for entrepreneurship (Dees, Battle Anderson and Wei-Skillern, 2004; Nicholls, 2004).

2.2 Scoping the territory

Mainstream policy perspectives on CSR are concerned with proving the business case in order to win over sceptics, i.e. demonstrate that acting socially responsible is profitable. Despite a variety of studies pursuing this 'holy grail' of business ethics, conclusions are varied, ranging from Vogel (2005) who determines that there is little evidence to suggest that CSR is positively related to profit but that it is not anyway a serious issue, since neither is there overwhelming evidence that other business processes directly impact profit (such as marketing or training). Orlitzky, Schmidt and Rynes (2003) on the other hand, in an authoritative overview of previous research, argue that there is a positive link. Similarly, many seek to demonstrate that CSR activities promote entrepreneurship. Surie and Ashley and (2007) and Cheung and King (2004) use the ethical theories of pragmatism and confucianism to argue a positive link to entrepreneurial activity. Switching the causal link around, Sarasvathy (2002:, p.95) argues for entrepreneurship as a force for positive social change. She proposes that a new vocabulary of entrepreneurship is needed "to tackle the central task of imagination in economics, i.e., to create from the society we *have* to live, the society we *want* to live in."

In an approach which problematises the apparently mutually exclusive research findings around positive social change and orientation toward profit, Spence and Rutherford (2001) find that entrepreneurs combine social goals with profit seeking activities in a variety of different ways, sometimes prioritising commercial goals over social issues and vice versa (see Figure 1). Indeed, their findings act as a foundation for the work presented in this paper. However, as we go on to argue in section 4, Spence and Rutherford (2001) do not discuss how and when entrepreneurs might shift between quadrants. It is this dynamic aspect of positive social change which is of most interest to us here, and distinguishes our work clearly from that which has been done previously.

Hannafey (2003) identifies gaps in the existing literature on ethics/CSR and entrepreneurship include empirical and cultural comparative research, theory, and the influences on ethical. Importantly, he highlights as an area for further research one of

the main areas to which the current paper contributes, that is, ‘how the ethical concerns, perspectives, and behaviours of entrepreneurs change over time as their organizations grow and develop will greatly enhance what is already known about the early venture period.’ (Hannafey, 2003: 106). We adopt a similar approach to that of Aguilera *et al.* (2007), proposing a multi-level analysis to explicate the intricacies of the dynamic entrepreneurial process. By developing this in the context of Entrepreneurial Social Responsibility we hope to contribute to a more sophisticated and insightful elaboration of CSR that is tailored to meet the distinctive demands of the entrepreneurial process.

3 Entrepreneurship and social responsibility

3.1 Defining entrepreneurship

One of the greatest challenges in scoping the relationship between entrepreneurship, the entrepreneurial process and social responsibility is to define the initial terms of our enquiry. Entrepreneurship remains (in the economist Edith Penrose’s memorable phrase), ‘a slippery concept’ (Penrose [1959] 1995: 33), difficult to formalise and open to multiple interpretations. Researchers within the entrepreneurship field have struggled – and failed – to unite around a commonly-accepted definition of entrepreneurship that locates individual entrepreneurial actors within a broader set of explanatory theories. In practice, there are a number of parallel sub-groups in this area, often working in isolation within well-guarded disciplinary silos (Herron *et al.* 1991; Gartner, 2001; Blundel, 2006). One of the main reasons for this outcome is that entrepreneurship is a multi-level phenomenon (Low and Macmillan, 1988; Davidsson and Wiklund, 2001), with research ranging from individual (e.g. psychological trait and rational choice theories) to organisational (e.g. entrepreneurial team and network dynamics), and broader institutional and socio-cultural levels (e.g. geographic clustering and ‘Upas Tree’ effects⁶). There have also been differences over the kinds of organisation addressed by entrepreneurship research. Some influential academic contributions have focused on new ventures (e.g. Gartner, 1985, Stevenson *et al.*, 1989), while others have written more extensively on what is now termed ‘corporate’ entrepreneurship in existing organisations (e.g. Moss Kanter, 1984). More recently, some entrepreneurship scholars have attempted to confront what they see as a muddled collection of concepts and methodologies, and define their object of study more precisely (e.g. Shane and Ventakaraman, 2000, Gartner, 2001), but these efforts have been also challenged by others who regard eclecticism as more of a virtue than a hindrance (cf. Zahra and Dess, 2001).

Given this background, for the purposes of clarity, we will briefly summarise the interpretation of entrepreneurial activity that has been adopted in the current paper⁷. First, we follow many well-established characterisations of entrepreneurship by interpreting it as a *dynamic* and essentially *creative* process involving the discovery and exploitation of value-creating opportunities, without regard to resources currently controlled. Second, we recognise that this process operates at *multiple levels* of

⁶ The ‘Upas Tree’ effect, originated by Checkland (1976) refers to the thesis that the extended presence of large industries in one location – in this case 19th and early 20th century Glasgow – may impede entrepreneurial vitality in the local community.

⁷ Our working definition draws, *inter alia*, on Schumpeter ([1934] 1961), Penrose ([1959] 1995), Shane and Ventakaraman (2000), Stevenson and Gumpert ([1985] 1992), Zerbini and Souitaris (2006).

analysis. Third, and in contrast to some scholars, we acknowledge that this multi-level process generates *emergent* phenomena, which are not reducible to their component elements. Fourth, we take the view that the ‘value-creation’ aspect of the process can be usefully extended beyond purely financial returns (typically measured in terms of financial accounting profit or return on investment), to incorporate broader social and environmental gains. Fifth, we concur with recent arguments presented in the social entrepreneurship literature, recognising that entrepreneurial processes operate across a range of organisational contexts (e.g. public, private and voluntary sector)

3.2 Entrepreneurial process as a multi-level phenomenon

We find convincing Aguilera *et al*'s (2007) observation that to understand the influences on positive social change multi-level analysis is required. Similarly in the entrepreneurship literature methodologies differ in the extent to which they probe beyond observed events (i.e. surface-level effects) in order to understand underlying causal sequences or generating mechanisms (Pentland 1999). Many insights into entrepreneurial processes have been achieved through single-level approaches. For example, population ecologists have examined macro-level processes with data that is primarily aggregated and quantitative (i.e. official statistical data sets recording firm entries and exits), while ethnographic researchers have revealed some richly-detailed micro-level processes through direct exposure to localised fieldwork sites. However, there is a strong case for seeking methodologies that are capable of taking entrepreneurship research a step further towards integration (Blundel 2006). Unfortunately, there is little evidence that such integration is taking place. Entrepreneurship research has blossomed in many academic disciplines, generating a rich and diverse harvest of empirical and conceptual material. However, this variety masks the fact that the field is fragmented, with specialists making little use of one another's work (Ucbasaran *et al.* 2001: 57). Furthermore, in pursuing the methodologies traditionally associated with these disciplines, entrepreneurship researchers have tended to focus their attention on particular levels of analysis. In their comprehensive review of ‘past research and future challenges’, Low and MacMillan (1988: 151-152) suggested that entrepreneurship researchers may choose among five levels of analysis in pursuit of relevant phenomena: the individual, group, organisational, industrial and societal. They noted a tendency for most previous research to be conducted at a single level of analysis, but argued that a few recent examples of multi-level research demonstrated the potential for achieving a richer understanding of entrepreneurship processes. This led them to conclude that both entrepreneurship research designs would be enriched if they were able to incorporate *multiple* levels of analysis:

‘The relationships between phenomena that can be observed at different levels of analysis are important not just for academics, but for both practitioners and public policy makers as well. From the entrepreneur's perspective, the success of the individual enterprise will be affected by factors that can only be observed at different levels of analysis. *To miss any one of these perspectives increases the probability that key factors will be overlooked and that unanticipated events will take the entrepreneur by surprise.* From the public policy-maker's perspective, the insights generated by multi-level studies have the potential to improve targeting of government efforts to encourage successful entrepreneurship.’

(Low and Macmillan 1988: 152 - emphasis added)

However, as Davidsson and Wiklund's (2001) review of current research practice revealed, the entrepreneurship literature is dominated by micro-level analysis, with

integrated ‘micro/aggregate mix’ approaches continuing to represent a small proportion of published work ⁸.

We agree with both Aguilera *et al* (2007) and Low and Macmillan (1988)’s arguments for multi level analysis in understanding positive social change and entrepreneurship respectively. Since we join these two variables in our concept of Entrepreneurial Social Responsibility, understanding the underlying causal sequences and generating mechanisms of influence will be crucial, hence we recommend a multi-level analysis of process.

3.3 Three approaches to entrepreneurial social responsibility (ESR)

The relationship between entrepreneurship and social responsibility received very little attention during the last century, but it is possible to detect a growing interest over recent decades. In this section, we identify three distinct approaches to this relationship, each of which continues to have a significant influence on the way that ESR is interpreted:

- Mainstream approaches
- Counter-cultural / critical approaches
- Reformist approaches

Our central argument in this section is that, despite an impressive resurgence of interest in the last few years, with a flurry of academic publications in a variety of journals ⁹, it is possible to detect significant limitations in all three approaches. As you might anticipate from arguments presented in the preceding sections, we see the ‘reformist’ strand as having the greatest potential to inform future ESR research. However, we also recognise that the other two strands also have something of value to impart. The main purpose of this brief critical review is to take an initial step in making more explicit the intellectual traditions that inform our current understanding of the uneasy relationship between entrepreneurship and social responsibility. Our hope is that, by debating and refining these critiques, we can remove some important conceptual barriers to progress in this emerging field of study, and open the way for a more ambitious and fruitful research agenda.

Mainstream approaches

Mainstream policy perspectives on entrepreneurship tend to focus on the economic contribution of entrepreneurial activity as the ‘engine of the economy’, generating wealth and providing employment. That this statement is so unsurprising, even ‘self-evident’, highlights what might be regarded as a primary obstacle to a richer understanding of ESR. In short, this dominant entrepreneurship discourse hangs on an economic framework; other approaches are tolerated, but they operate on the margins – both in terms of academia and policy communities. Of course, there are very good reasons for academics and policy-makers to focus on economic

⁸ These findings were based on a content analysis of articles published in leading US and European entrepreneurship journals; we are not aware of any significant changes in the kinds of analysis being undertaken since the research was published.

⁹ For example, the *Journal of Business Ethics* has run a special issue on the relationships between entrepreneurship and ethics (Fischer *et al.* 1995); other entrepreneurship and organisation journals in have addressed related issues such as entrepreneurship and the natural environment. We recognise that our categories are fairly crude, and that broad-brush critiques cannot do justice to the sheer variety of published work in this area. However, we hope that they will serve the previously-stated purpose of stimulating what we see as a much-needed constructive debate in this area.

imperatives. These were the driving forces behind the revival of interest in entrepreneurship and small firms in the 1970s, at the dawn of the ‘enterprise culture’ (Carr 2000). The ‘problem’, from an ESR perspective, is that such a focus tends to sideline questions other than those that can be framed in terms of economic performance. It would also be incorrect to present the mainstream literature as *exclusively* concerned with economic variables. An exceptional case is Baumol’s (1990) historical study, which explored the entrepreneur’s contribution to society over several centuries, distinguishing what he termed ‘productive’ entrepreneurship having a beneficial or positive impact on the society; ‘unproductive’ entrepreneurship, characterised by rent-seeking activities that do not create social benefit; and ‘destructive’ entrepreneurship, characterised by criminal activities that yield a net social loss.

Many other important contributions pay attention to what might be termed ‘social’ benefits, most commonly job creation and either urban or rural regeneration¹⁰. There are also many research sub-fields that explore social phenomena in relation to entrepreneurship (e.g. trust and reciprocity, social capital, networks). The key limitation of both types of study from our particular perspective is that the social dimension (i.e. the social benefits and the social antecedents respectively) is not the focus of study in their own right; the primary concern in the mainstream is with profitable growth and wealth-creation, and this determines its research agendas and associated methodologies. In this respect, mainstream approaches to entrepreneurship are consistent with Friedman’s (1970) tightly-defined position on corporate social responsibility. So is this argument of any relevance beyond academia? The evidence suggests that it is making a real difference to the kind of entrepreneurial activity that is taking place ‘on the ground’.

The initial triumph of the ‘enterprise culture’ project in countries such as the US and the UK, coupled with economic globalisation, are contributing to an intensification of enterprise policies around the world, informed by the intellectual traditions of the mainstream. In both developed and developing economies, government agencies and other actors are engaged in a concerted effort to stimulate their indigenous capabilities in entrepreneurship and innovation, the (very reasonable) objective being to combat the threat posed by global competitors (e.g. Verheugen 2007). Our concern is that such approaches are simply inadequate, in the face of the deep-rooted social and environmental challenges that we face in the early 21st century.

Mainstream approaches are constrained by their tightly-defined research questions and methodologies. They cannot address many questions about entrepreneurial activity and its potential to achieve positive social changes, because such outcomes fall outside the scope of conventional economic performance measures. They also lack the conceptual equipment to consider how qualitative changes of this kind might be effected. However, while the main public policy emphasis continues to be around ways of increasing the quantity of entrepreneurial activity, there is evidence of a limited, but seemingly growing interest in its quality (cf. OECD, 1998; CEC 2005). In order to probe the intellectual roots of this shift, we need to consider the other two approaches to ESR.

¹⁰ Publications such as the Bolton Report (1971) in the United Kingdom highlighted a range of concerns prompted by what was then seen as a collapse in the small firm population; the influential, though much criticised US study by Birch (1979), presented evidence on the job-creation potential of smaller entrepreneurial firms.

Counter-Cultural / critical approaches

The 'counter-cultural' or 'critical' strand comprises a variety of critiques of the enterprise culture and its perceived negative impacts of unbridled entrepreneurial activity on society and the natural environment. It has developed alongside industrial capitalism, and has surfaced in many forms, ranging from political agitation to the contributions from the creative arts. To take a striking example from the early 19th century, English political commentator William Cobbett railed against the negative impact of two of the principal entrepreneurial initiatives of his era, canal building and the commercialisation of agricultural production, highlighting their impact on the welfare of rural communities ¹¹:

'Here are some of the very finest pastures in all England, and some of the finest dairies of cows, from 40 to 60 in a dairy, grazing in them. [...] but, while the poor creatures that raise the wheat and the barley and cheese and the mutton and the beef are living upon potatoes, an accursed *Canal* comes kindly through the parish to convey away all the wheat and all the *good food* to the tax-eaters and their attendants in the WEN! [i.e. 'wart or tumour', a reference to London]' (Cobbett [1830] 1973: 362-363).

A common feature of these approaches is that entrepreneurship is viewed as an inherently unethical phenomenon that makes a negative social contribution. These critiques are often encapsulated in discourses around the lengths which entrepreneurs will go to in order to generate short term profit, including such examples as cost reductions resulting in issues such as dangerous chemicals in toys (Pilkington and Pallister 2007), poor working conditions in clothing supplier companies (Siegle 2007) and the promotion of unhealthy foods which contribute to obesity (Schofield and Cracknell 2007)¹². Other recent entrepreneurial targets have included budget airlines (for their impact on global carbon emissions) and innovative entrants to industries regarded as having socially-damaging impacts (e.g. internet gambling). It is clear that this intellectual tradition, and the research that it has stimulated, has made a considerable contribution to highlighting the harm caused by unbridled entrepreneurial activity. However, it also has some important limitations, from the perspective of ESR. Paradoxically, it tends to share with 'mainstream' approaches to entrepreneurship a tendency to exclude consideration of social benefits, or how they might be achieved. In its more 'romantic' guise, the counter-cultural approach is prone to making conceptual leaps, from criticism of a prevailing state of affairs to depictions of desired end-points, without examining the process of getting from one to the other ¹³. In this sense, we argue that (like the 'mainstream'), it lacks the conceptual requirements for exploring the territory of ESR. Though specific enquiries in this tradition have revealed abuses and helped to introduce regulations governing entrepreneurial activity, it is probably fair to say that its impact has been limited in policy terms due to the lack of detailed and compelling analysis of how more socially-beneficial entrepreneurial outcomes might be achieved.

¹¹ The resulting tension between commercial and artisanal models of enterprise are explored further in Blundel and Tregear (2006).

¹² Other researchers investigating illegal forms of entrepreneurship take a more nuanced view. For example, Aidis and van Praag (2006) go beyond the 'grey area' of ethics to investigate illegal experiences of entrepreneurs and how they contribute positively to human capital, while Langbert and Grunewald (2004) use an empirical case study to explore why it is so difficult for a real estate entrepreneur to avoid using dubious ethical tactics during negotiations.

¹³ Taking an (admittedly) exaggerated example of this tendency from English literature, the Victorian novel by Charles Dickens, *Hard Times* makes a dramatic contrast between an entrepreneurial mill-owner 'Gradgrind', whose severe utilitarian ethic contrasts with the warm humanity found in a circus community.

Reformist approaches

In contrast to the other two approaches, the 'reformist' strand does seek to adapt and redirect mainstream concepts of entrepreneurial agency towards more progressive goals. We have already mentioned some important contributions in this area coming out of the business ethics and CSR community in section 2.1¹⁴. There have also been a number of studies examining, and in many cases also promoting, new forms of social and environmental entrepreneurship (e.g. Nicholls 2006, Hawken 1993), and associated institutional innovations such as Fairtrade certification (Nicholls 2004, Moore *et al.* 2006) and social investment markets. Reformist contributions vary enormously in their stance towards commercial forms of entrepreneurship. Some (what might be termed the 'mainstream wing'), seem to regard commercial entrepreneurs as offering a template for the third sector (e.g. placing a strong emphasis on competition between social enterprises as an essential part of their strategy to achieve social goals), while the 'critical wing' (in our informal terms), take a much more sceptical view of commercial entrepreneurship, and are likely to reject terminology such as 'social entrepreneur' in favour of more traditional (or less politically 'loaded') terms, such as 'social innovator' or 'community champion'. As we have already noted, ESR seems to sit quite comfortably within the reformist approach. However, though it has already generated a great deal of useful knowledge about entrepreneurship, ethics and positive social change, we suggest that there is considerable scope for conceptual development, and for extending the scope of the research agenda.

Limitations of the reformist approaches include its lack of applicability to dynamic changes in entrepreneurship and the tendency to take a single-level focus.

The vast majority of reformist approaches take a static view of CSR. Venkataraman (2002) is a notable exception, using stakeholder theory in understanding entrepreneurship. He argues that "the process of entrepreneurial discovery and exploitation will ensure that the corporation will be managed *as if* for the benefit of all the stakeholders to the enterprise. Firms which are not so managed, will, over time, be selected out of the business (and therefore social) landscape." (Venkataraman, 2002: 50, parentheses as in the original). This point is tempered rather by Shepherd and Lévesque (2002) who argue that time and delay in reaching this equilibrium point must be taken into account, and may dis-benefit given stakeholders.

Other studies take the more traditional static approach, for example by drawing on ethical theory to investigate the social orientation of entrepreneurs, assuming this to be rather fixed for any one individual. For example, Newbert (2003) returns to Adam Smith's work on *The Wealth of Nations* and *The Theory of Moral Sentiments* to argue that rather than focusing on simplistic economic self-interest, entrepreneurs operate with a combination of economic and social motivations, and can contribute substantially to the greater welfare of society. A similarly positive view of entrepreneurship emerges from Velamuri's analysis of entrepreneurship as a form of altruism (2002). He identifies the entrepreneur as "a fellow citizen, with all the aspirations, doubts, generosity, and prejudices of any other human being" (Velamuri,

¹⁴ Other contributions that we regard as broadly 'reformist' in approach include: Aidis and van Praag 2006; Hannafey 2003:99; Kuratko and Goldsby 2004; Langbert and Grunewald 2004. We also note the interesting and distinctive position taken by Carr (2003), who argues that entrepreneurs should be regarded as having an ethic in the sociological (Weberian) sense of a 'way of being'; the focus of interest is then to uncover the nature of that 'ethic'.

2002: 130). He concludes by calling for more focus on the value which entrepreneurs generate, rather than that which they appropriate (*ibid*: 133). Bucar, Glas and Hisrich (2003) have undertaken an international comparison and applied integrated social contract theory and stakeholder theory to their data on managers and entrepreneurs. They find that in the US a greater percentage of entrepreneurs compared to managers exhibit ethical attitudes in business, although no significant difference was found in Slovenia, pointing to the influence which cultural context can have on attitudes.

Demonstrating the single-level focus of research in the reformist area, a number of papers draw on micro-level phenomena, notably the psychological perspectives of individual entrepreneurs, in particular their cognitive moral development (Solymosy and Masters, 2002), moral reasoning and decision-making (Buchholz and Rosenthal, 2005; Payne and Joyner, 2006; Teal and Carroll, 1999). These generally conclude that entrepreneurs have a somewhat enhanced faculty for moral reasoning and decision-making. For example, in the case of organic production and Fairtrade, we have seen new ‘for profit’ entrepreneurial ventures that combine business with social and environmental outcomes. It is difficult to say whether such entrepreneurs have started these specific types of venture because of their engagement with the anticipated positive social outcome. Rice (2000) argued that their motivations are usually economic. From the growers/farmers perspective joining the organic or fair trade, ‘represent a path toward increased productivity’ (Rice, 2000: 44). In addition the premium price paid for the product is usually also a motivation.

In conclusion, there is much to learn from the three approaches outlined in this section, but in order to identify a way forward, we also need to be aware of their limitations. The first two approaches are constrained by their relatively narrow frames of reference and associated methodologies. The reformist approach has enormous potential as a vehicle for studying ESR, but (much like its precursors in business ethics / CSR and conventional entrepreneurship), has been limited by tendency towards static, cross-sectional research designs and studies that address a single level of analysis. In short, we need to learn from the experience within each approach and use these lessons to ‘break out’ and explore what we have termed the ‘ESR territory’ more thoroughly. In the next section, we present our initial thoughts on how this intellectual space can be conceptualised.

4 Conceptualising the ESR territory

4.1 Exploring the tensions between commercial orientation and social responsibility

In this section we present our working draft of the ESR territory, building it up in the form of three linked diagrams. The first of these deepens the earlier discussions relating to the inherent tensions in the ‘business case for CSR’ (Section 2.2). As we have noted, this is a key debate in the CSR/business ethics literature, which centres on the question of whether acting as a socially responsible corporation ‘pays’ in terms of commercial performance. From an instrumental perspective, the conclusion must be that firms should invest in socially responsible activities when it is in their own self-interest so to do. However, research examples abound of instances where socially responsible behaviour is evident which is not self-interested (see Moore and Spence, 2006). Focusing particularly on entrepreneurship, Spence and Rutherford (2001)

investigate the orientation of the entrepreneur to commercial gains and social issues. They find that entrepreneurs combine social goals with profit seeking activities in a variety of different ways, sometimes prioritising commercial over social issues and vice versa.

An adaptation of Spence and Rutherford's model is shown in **Figure 1**, and provides the initial building-block for our new conceptualisation of ESR. The two dimensions within the diagram are derived by Spence and Rutherford's (2001) study, which draws on qualitative interviews and a quantitative survey using Erving Goffman's *Frame Analysis* ([1974] 1986). In the first quadrant, the priority is to maximise profit, and no positive social change is pursued. Where an entrepreneur declines an invitation to make an easily affordable anonymous donation to a charity because this will directly impact on her profit opportunity, the profit maximisation priority is being demonstrated. In the second quadrant, achieving sufficient profit to continue in the business is sought, demonstrating a subsistence priority in which no positive social change is pursued, no special efforts are made either to maximise profit or to make positive social change. In the third quadrant, both profit maximisation and positive social change is pursued, identified by an enlightened self-interest approach. Where, for example, the entrepreneurial second hand car showroom owner sponsors the local youth football team because it represents a social contribution *and* the costs are more than covered by increased sales to impressed parents of the footballers and other community members, the enlightened self-interest approach is dominant. Finally in the fourth quadrant, a social priority is key, wherein positive social change is actively pursued and a satisficing level of profit is sought. For example, a woman from a disadvantaged ethnic community might run her business in large part because she knows that she acts as a mentor and inspires others in her community that they too can achieve economic success.

Spence and Rutherford's (2001) findings suggested that individual entrepreneurs are unlikely to be 'located' in any one quadrant permanently, and that they can be differently orientated to commercial issues and positive social change according to the situation. A related implication of these findings is that the entrepreneur can be orientated to different perspectives on commercial orientation and positive social change in different phases of the entrepreneurial process. For example, commercial orientation may be key during start-up, but life stage and personal events (such as a sibling with a terminal disease), might instigate a review of personal priorities and cause a shift from a strong commercial orientation to a social priority. Hence positive social change may be regarded as of little consequence with regard to the identification or exploitation of an entrepreneurial opportunity, but much more important when a financially-successful entrepreneur is deciding how to distribute the financial wealth accumulated over time. However, Figure 1 does not enlighten us with regard to the circumstances under which a shift between quadrants is made

Figure 1 Entrepreneurial frames of commercial orientation and positive social change

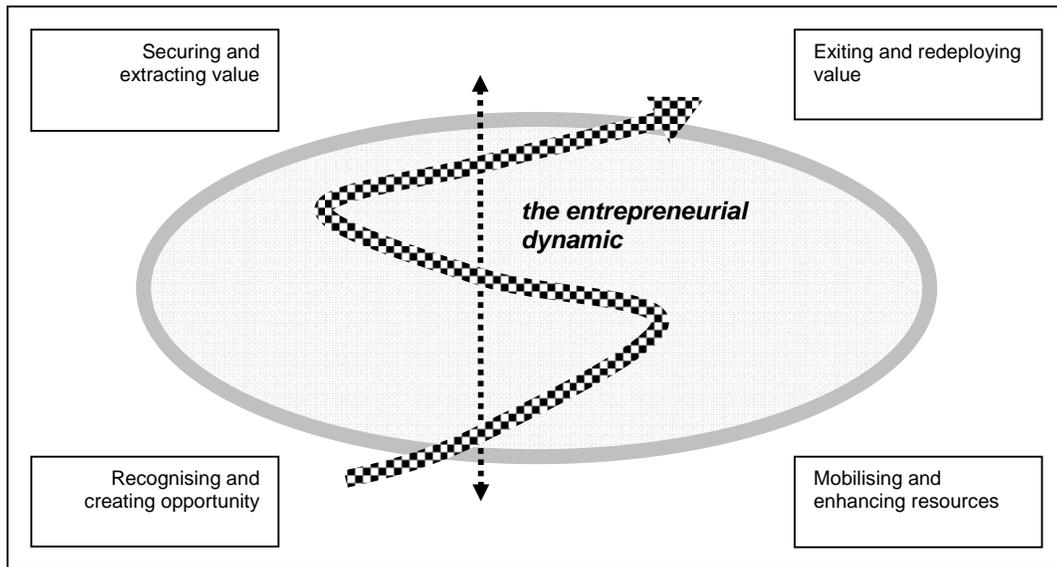
Practice	Perspective	
	<i>Strong commercial orientation</i>	<i>Weak commercial orientation</i>
<i>No positive social change</i>	1. Profit maximisation priority	2. Subsistence priority
<i>Positive social change</i>	3. Enlightened self interest	4. Social priority

Source: Adapted from Spence and Rutherford (2001)

In **Figure 2** we represent the entrepreneurial process as a spiral, comprising four distinct but closely inter-related phases: recognising and creating opportunity; mobilising and enhancing resources; securing and extracting value; and exiting and redeploying value. The identification of these activities is not in itself new, but the way in which we present them is novel. We capture the dynamism of the entrepreneurial process in the spiral formation and highlight how each represents a location for positive social change. Accordingly there are important research questions around the *connections between phases*. For example, in the past we have seen a common pattern whereby socially-damaging entrepreneurial activity in the private sector has yielded financial value (in the form of profit accumulated by the individual entrepreneur), that has later been redeployed for social benefit (by the entrepreneur-turned-benefactor). On Figure 2 we can begin to plot these different patterns and consider how and whether there are models which result in greater positive social change over others.

To clarify, the vertical axis of the spiral in Figure 2 (with is represented by the linear vertical axis in Figure 3 is there to highlight the point that greater entrepreneurial dynamism (which in this visual metaphor would be a longer, and perhaps more rapidly spinning spiral), needs to be isolated conceptually from its traditional associations with a stronger commercial orientation. There is no reason to suppose that this kind of dynamism cannot be present where positive social change is the dominant orientation. Examples here might include Anita Roddick’s influence on animal welfare through her entrepreneurial activities with the Body Shop and Craig Sams and Josephine Fairley’s contribution to improved prices for cocoa farmers with Green & Black’s Organic chocolate.

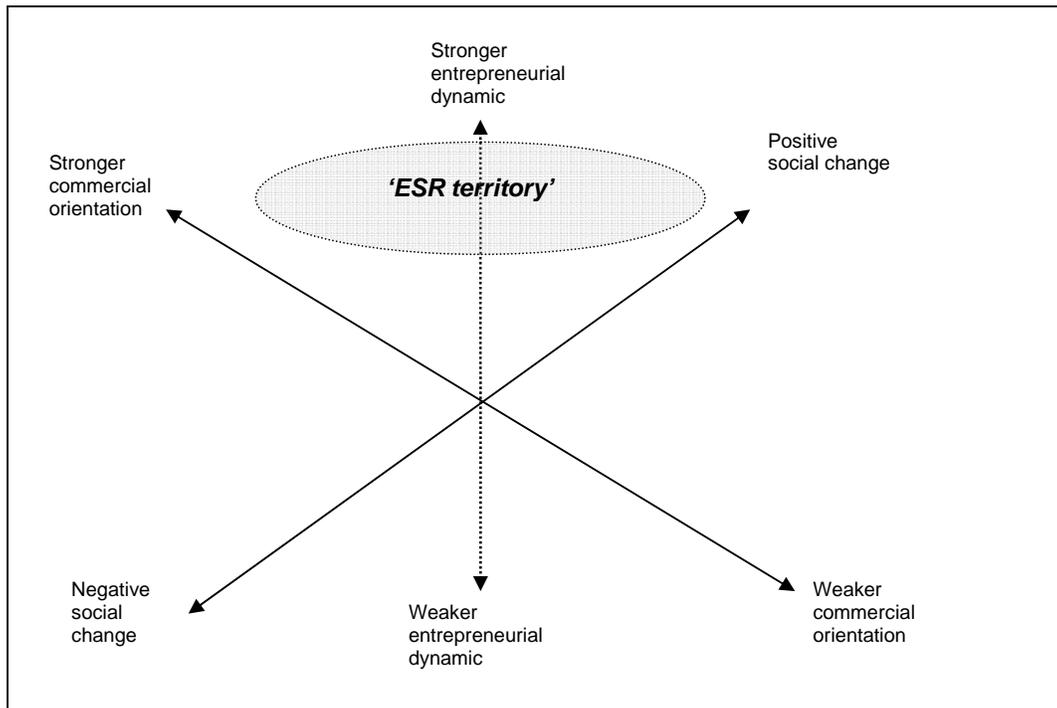
Figure 2 Entrepreneurial processes and the underlying dynamic



Source: Spence, Blundel and Zerbinati (2008)

In **Figure 3**, we bring together a three-dimensional extension of the Spence and Rutherford model (Figure 1) and the entrepreneurial dynamic represented as a vertical dimension in Figure 2. The diagonal lines are drawn from Figure 1, representing the two dimensional exposition of social change and commercial orientation. The entrepreneurial dynamic process is, as previously mentioned, represented by the vertical. We are then exploring the interaction between the three dimensions throughout the process. Our assumption is that the underlying mechanisms are inter-related, so it is helpful to examine it in this integrated way. One of our key arguments in this paper is that the ESR territory identified in Figure 3 represents an extremely important, yet largely unexplored intellectual space. Furthermore, it is a space that needs to be 'opened up' and subjected to a more systematic and critical examination by researchers from both the entrepreneurship and the business ethics/CSR communities. Our hope is that this paper can play a small part in initiating this process.

Figure 3 'ESR territory' in outline: connecting the entrepreneurial dynamic to positive social change



Source: Blundel, Spence and Zerbinati (2008) – after Spence and Rutherford (2001)

5 Concluding remarks

In this paper we have developed a model which identifies the territory of Entrepreneurial Social Responsibility. ESR is a new way of understanding positive social change by entrepreneurs which engages with commercial and social orientation as well as, critically, the phases and the dynamism of the entrepreneurial process.

As we indicated at the outset, this paper is exploratory. As a consequence, our concluding remarks are presented in the form of discussion points, rather than as prematurely closed arguments. They are organised into three sections: implications for business ethics/CSR research; implications for entrepreneurship research; and implications for policy and practice. We hope that the paper will stimulate an ongoing debate around entrepreneurship and social responsibility, including some constructive criticism of the arguments we have presented here¹⁵.

5.1 Implications for business ethics/CSR

The foundation of a research programme introduced in this paper has the potential to enhance the business ethics/CSR fields in a variety of ways. We acknowledge that our work builds and develops on that of Aguilera *et al* (2007) who also advocate a multi-level approach in their analysis of understanding the influences on corporations

¹⁵ Researchers almost always invite feedback on their work, and in this case, we are particularly keen to hear from members of both the ethics/CSR and entrepreneurship research communities. We suggest that any correspondence is directed via the corresponding author in the first instance.

contributing to positive social change. However our work departs from theirs in a number of important ways. First, our ESR model offers a distinctive approach to understanding social responsibility issues outside of the usual corporate context. Second, we offer a mechanism for making ethical concepts more dynamic. An appealing aspect of the ESR model is that it enables us to move away from the usual static model of CSR towards a more dynamic appreciation of social responsibility, change and ethics. With the possible exception of decision-making models, the vast majority of CSR and ethics research tends to skate over the dynamic context of organisational life. By introducing a processual perspective, we hope to demonstrate that the complexity of business practice can be analysed using the multi-level approach we advocate. In so doing, we advance the dynamism of CSR and ethics concepts.

5.2 Implications for entrepreneurship

The arguments presented in this initial paper have the following implications for entrepreneurship research. Primarily, we are directing attention towards the mechanisms that create *quality* of entrepreneurship rather than just *quantity* – the dominant emphasis in mainstream literature and policy. It should be acknowledged, however, that while social entrepreneurship does address some of these issues it implants entrepreneurship into the social sector whereas we reverse the process. The object of our examination is how the social dimension is implanted into entrepreneurship processes. Our research question is thus: In what circumstances is positive social contribution an outcome of the entrepreneurial process? Second, we provide an example of the benefits of taking a multi-level rather than a single level approach. In doing so, we address a lack of understanding of entrepreneurial decisions over time and in the context of social, legal, environmental, economic and institutional environments. Third we widen the relevance of all phases in the entrepreneurial process, going beyond start-up to include: recognising and creating opportunity; mobilising and enhancing resources; securing and extracting value; and exiting and redeploying value.

5.3 Implications for policy and practice

We started this paper by noting some of the contemporary examples where entrepreneurial activity is resulting in significant social and environmental benefits. Clearly, there are instances of constructive entrepreneurial activity alongside the media-inflamed image of the ruthless and egotistical entrepreneur who has no regard to the social or environmental damage caused by her activities. Social entrepreneurship offers a counter to this strictly commercially orientated image, but we are concerned that treating the field as bi-polar – commercial entrepreneur versus social entrepreneur – obscures the complexity of the entrepreneurial process. There is a danger of policy makers uncritically focusing all their efforts to encourage positive social change on self-acclaimed social entrepreneurs and ignoring the rest of the entrepreneurship community. We strongly advise against this. Empirical research indicates that there is a wide variety of social contribution by otherwise mainstream entrepreneurs, ranging from mundane piecemeal activities to more radical forms of entrepreneurial behaviour which do not ascribe to the mainstream emphasis on competition and economic performance measures. The challenge for policy makers is not only to enable more entrepreneurship, but to redirect the great swathe of

entrepreneurial activity around the world away from socially damaging models to ones which understand positive social changes as part of the entrepreneurial process.

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