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Exploring Corporate Social Responsibility and The Important Role it Plays in Entrepreneurial Start-Up Businesses

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Abstract

The purpose of this Capstone is to examine the concept of Corporate Social Responsibility (CSR) and the role it plays in entrepreneurial start-up businesses. The paper introduces a more inclusive definition of the concept – *Positive Impact Business Social Engagement*. It explains the five facets of social responsibility and examines the impact of social responsibility on major business disciplines. The benefits and disadvantages of social responsibility are analyzed, and the financial performance of socially responsible companies is compared to S&P500 performance. Social responsibility in the start-up world is addressed and is contrasted with established large corporations. The characteristics of social entrepreneurs and commercial entrepreneurs are compared as well as how the management styles of entrepreneurial CEOs impact the social responsibility aspects of their ventures. The integral connection between public policy and CSR will also be discussed. The Capstone will conclude in support of start-up businesses choosing to be socially responsible explaining how social responsibility can be implemented in initial business models for future organizational success that satisfies all stakeholders. Lastly, the Capstone reflects on the experiences of the author as he developed a start-up business while at the Whitman School.

Executive Summary

The future economic success of start-ups as well as established businesses will require companies to recognize the connection between financial success and social progress. They will need to engage in socially responsible behavior at all levels of business and contribute to efforts that shape public policy for all stakeholders.

The concept of Corporate Social Responsibility (CSR) will morph into what I have chosen to call Positive Impact Business Social Engagement (BSE). No longer will companies achieve rewards by compartmentalizing their CSR efforts, but instead they will need to integrate their companies' engagement with the external world into all areas of business decision making.

The implementation of social responsibility begins with the five facets that make up social responsibility. Companies must first comply with legal responsibilities by adhering to federal, state and local laws. They must then satisfy their economic responsibilities by being profitable in order to provide a return on investment to shareholders, create jobs in the community and create useful products and services for society. Ethical responsibility goes beyond the economic and legal considerations to address practices viewed as unethical or prohibited by society even though they may not be codified into law. Although voluntary in nature, philanthropic responsibility demonstrates good corporate citizenship. Lastly, companies must increasingly honor their environmental responsibility by make a commitment to sustainability.

The investment in social responsibility must be at all levels of business. Six different business disciplines are examined- Accounting, Finance, Entrepreneurship, Marketing, Management and Supply Chain Management. New accounting standards are being put into place that measure,

monitor and report to shareholders the social and environmental impact of an organization's actions. In finance, many companies are assessing the value of social responsibility using financial metrics already in the marketplace including growth, return on capital, risk management and the quality of management. Entrepreneurs creating start-up companies are finding success in creating socially responsible ventures where the social mission drives all areas of the business. It has come to the point where socially responsible companies, also called social enterprises, have become their own category of business. The marketing efforts of companies must continue to monitor trends and shifts in society's values and beliefs, engaging with society in a way that is ethical. Their marketing efforts must be honest in their message, abide by legal regulations of the industry and communicate their social platforms to their stakeholders. In broad terms, social responsibility is the obligation of management to society. Management must balance the expectations of owners, employees, consumers, government, community and society. For long-term success, management must choose policies and actions that promote the public good. A socially responsible supply chain can be expensive and complex. However, due to increased visibility and negative publicity that arises from exposing a socially negligent supplier, companies are becoming more active in addressing the obligation to stakeholders to put in place a socially responsible supply chain.

The benefits of social responsibility to a company can include innovation, cost savings, brand differentiation, customer engagement, employee connections and a long-term approach to planning. Social enterprises, many of which are start-ups, have been able to achieve global societal impact while satisfying the needs of all stakeholders. Good examples of this are TOMS Shoes and Better World Books.

There are disadvantages that need to be considered when incorporating social responsibility into an actual business or business model. Most investments in CSR are more long-term in nature and usually don't pay off in the 2-4 year time horizon that public companies require the due to the demands of the public market. In addition, for some consumers, purchases are more price driven than ethics driven. This gives rise to the continued success of companies like Walmart even though they made global headlines for manufacturing goods in the structurally unsound Rana Plaza building that collapsed in Bangladesh which killed over 1,130 garment workers. Also, competition for foreign investment by developing countries has given rise to some governments limiting strict compliance to ethical human rights and environmental standards. This causes an ethical dilemma for companies entering those marketplaces.

In citing the advantages and disadvantages of social responsibility, it is interesting to find that performance measurement of funds investing in socially responsible companies compared to their peers reveals very little difference between socially responsible firms and the average public company. From a returns basis, it does not appear that being socially responsible detracts from a company's performance - one of the arguments often put forth by companies against investing in CSR.

The start-up world differs from more established companies in implementing social responsibility. Most large companies invest in social responsibility programs with the goal of long-term economic results for the company. These programs are often housed in their own separate department and were added long after the company was started. Socially responsible start-ups build a business model where the social mission impacts all areas of the business from inception.

It should be noted that not all start-ups are socially responsible. There are distinct differences between social entrepreneurs and commercial entrepreneurs in terms of motivation and mission, opportunity identification, access to capital and the number of stakeholders. In general, commercial entrepreneurs are more self-focused on wealth accumulation and self-employment while social entrepreneurs have more collective-focused aspirations such as wealth giving or sharing or community development.

There are fundamental differences between how start-ups and large corporations view their business and the role of social responsibility. Start-ups are generally managed by their founders. Few successful entrepreneurs start their companies with the sole purpose of making money. In addition, everything is more personal in a start-up. The relationships between management, employees, and the community are often key to the success of the small business. Start-ups also have fewer resources than large companies. They need to clearly define and be strategic about the financial and personnel resources they use toward their social responsibility efforts.

The CEO's of socially responsible entrepreneurial start-ups display different management styles. They can demonstrate their commitment to social responsibility in a very explicit way through the product or service they provide, they can focus more on philanthropic efforts, or they can create social value using internal operations as the primary vehicle, encouraging pro-social hiring practices and pro-social business locations.

Established and start-up companies need to understand the relationship between CSR and Public Policy. As they expand the role of CSR in their businesses, the relationship between these initiatives and local, national and global public policy frameworks and governments gives rise to new issues that need to be addressed. Business leaders will need to increasingly concern themselves with issues of the public good and how that impacts their business risks and opportunities, which in turn affects the success, security and sustainability of the communities and countries in which they are operating. The ability to identify, prioritize and create strategies to address that balance between profitability and the public good is a sign of good leadership, and it enhances the ability of a company to be competitive, productive and profitable.

In conclusion, the inclusion of CSR, or what I prefer to call BSE, in start-ups as well as established corporate enterprises is a vital component of the success of a business. Companies need to be accountable in the area of social responsibility at all levels of business in order to unite our global society by generating economic value in a way that also generates value for society.

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I specifically chose Whitman to pursue of a major in Entrepreneurship and Emerging Enterprises. At the time I applied it was one of the few schools that offered this major. I truly hope that this EEE Department continues to get the strong support of the University. I have learned a great deal by being a student entrepreneur and have had an amazing four years.

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Chapter 1 – Introduction/Thesis

It is hard not to notice the efforts being made by businesses to exhibit their commitment to social responsibility and sustainability. Whether it is a more recent start-up like Hampton Creek, which is focused on replacing foods that are bad for the body and planet with healthier product offerings, or a more mature start-up like the Kind Snack Bar, (often purchased between classes) which offers a chance to win a $10,000 donation to a worthy cause, or a large global corporation like the Marriott International that instead of chocolates leaves a card on your pillow suggesting that hotel guests reuse their sheets and towels, companies are both developing business practices and interacting with their customers in ways that inform them, and at times encourage them, to participate in the effort to become more socially and environmentally conscious. From small entrepreneurial firms to large corporations, discussions are taking place on how to conduct business in a way that recognizes the importance of good corporate citizenship by creating social value in addition to making profit for owners and shareholders.

Arguments exist on both sides for the economic success of these efforts. Some feel that it is essential that businesses connect the success of a company with social progress, resulting in a new way to achieve and measure economic success. Others feel that social responsibility and sustainability are not integral to company profits and growth. In this Capstone I will explore the different viewpoints on whether and how corporate social responsibility adds value and how it impacts small entrepreneurial businesses.

I will also look at the evolution of corporate social responsibility over recent years as it has evolved from writing checks to the development of a set of principles that examines the interactions that a company has with society. I will explore how companies implement these principles and the success and difficulties that have resulted. I intend to examine the way companies execute socially responsible choices and explain the facets of social responsibility which include legal, economic, ethical, philanthropic and environmental responsibilities and the impact of these choices. In addition, will address the growing connection between corporate social responsibility and public policy.

I will also examine the role of corporate social responsibility in start-up firms. I will explore the steps and opportunities that entrepreneurial companies can take to incorporate corporate social responsibility from inception instead of as an after-thought or add-on, the approach many established companies have adopted. I will relate my thoughts on this topic, and how I think about them as I approach the various choices that I have made in my own start-up business, Wundershirt. I will discuss the process that I went through to arrive at the decision to manufacture solely in the United States. I will discuss what motivated me to make this decision despite the potential for less expensive overseas options. Renowned Harvard Business School Professor Michael Porter commented about social responsibility in the Harvard Review, "Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center." He went on to say, "We believe that it can give rise to the next major transformation of business thinking" (Whaley). I will elaborate on why I agree with his principles and the steps I have taken in my business development that support his views.

After the examination of the various components of corporate social responsibility and their impact, I will conclude that start-up entrepreneurial businesses should establish what I refer to as “Positive Impact Business Social Engagement” as an integral part of their business strategy.

Chapter 2: What is Social Responsibility? – A Revised Viewpoint on the Definition of Social Responsibility

Positive Impact Business Social Engagement (BSE)

Before discussing the evolution and definition of the role social responsibility plays in companies, I am going to be very blunt and say that I don't like term "Corporate Social Responsibility" (often referred to CSR). It is not that I disagree with what it stands for, or that I think it is an invalid concept, because that is not true. The phrase itself is restrictive. Let's examine each word in that phrase as defined by Oxford Pocket Dictionary of Current English:

- Corporate: of or relating to a corporation, especially a large company or group.
- Social: of or relating to society or its organization
- Responsibility: the state or fact of having a duty to deal with something (Oxford)

When you look at the definition of the phrase and break it down, it mainly states that large companies or groups have a duty to engage in some way with society. This led me to wonder - What exactly is meant by "CSR?" The phrase does not provide a complete definition of corporate social responsibility. Why are we restricting this social responsibility to only corporations and large groups? If you take the definition literally, this would mean that smaller LLCs, LLPs, and partnerships would not be held responsible. Also, we are responsible for society, but how? Are we responsible to live in it, serve it, or make improvements? It is not clear how we are responsible. I would go on to reason that if business is to better serve the needs of society, it should go beyond viewing this responsibility as an external interaction and instead view it more as an ongoing and evolving engagement that affects all levels of business decision making. To date, many companies have relied on three tools for CSR – a CSR team in the home office, some high profile (but often low cost) initiatives, and a glossy annual review of progress

(Brown). In the future, it will be businesses that successfully integrate their external engagement with stakeholders into decision making at all levels that will reap rewards. Therefore, I have come up with the term "Positive Impact Business Social Engagement" (BSE) which I think better encompasses the spirit of corporate social responsibility. According to the Oxford Dictionary:

- Positive: showing pleasing progress, gain or improvement
- Impact: the effect or influence of one person, thing or action on another
- Business: the practice of making one's living by engaging in commerce
- Social: of or relating to society or its organization
- Engagement: establish a meaningful contact or connection with (Oxford)

I choose to use the phrase "Positive Impact Business Social Engagement" for a number of reasons. First, the phrase does not restrict responsibility to corporate entities. It includes not just corporations, but private companies, NGOs, non-profits, the public sector, and even individuals. I also think it is important to show that the social progress delivered is clearly positive to society, and not just affecting society. By including the words "positive impact" it shows that some type of beneficial results-driven action is taking place. This idea expands the scope of CSR to include a broader venue of entrepreneurial endeavors and implies that all groups and individuals have the responsibility to improve our society. Positive Impact Business Social Engagement can start with as little as a single entrepreneurial idea or action.

Chapter 3: Facets of Social Responsibility

In the 1991 article, "The Pyramid of Corporate Social Responsibility," Dr. Archie B. Carroll, a business management author and professor, identified the four areas that make up the corporate social responsibility pyramid: legal, economic, ethical and philanthropic. This pyramid has become widely used to explain the main areas of business' duties to its stakeholders (Anaejionu). In addition, in the early 2000s, the realm of corporate social responsibility expanded to include environmental issues. An article from *Reason* magazine suggests that the rise of corporate environmentalism resulted from the view by environmental groups that the administration of George W. Bush was seen as hostile to their goals. As a result, the article suggests that groups shifted their lobbying efforts to corporations (Wilson).

A. Legal Responsibilities

Businesses not only need to operate with the goal of achieving profitability, they must do so while complying with federal, state and local laws. These legal guidelines create rules for fair operations as established by lawmakers. It is important for companies to be law-abiding, providing goods and services that meet minimal legal requirements. Obeying regulations helps to protect consumers who rely on a business to be truthful about the products it sells. It also helps investors, who stand to lose profits if a company is penalized or shut down because of illegal practices. Although abiding by legal responsibilities forms the foundation of social responsibility, certain companies have taken steps beyond the law itself to institute positive impactful changes. For example, Dan Price, founder of Gravity Payments, has set the minimum wage of all employees in his company at $70,000 per year, significantly above the legislated minimum wage. Price based this decision on a study that he read that equated an income of

$70,000 with happiness. By creating additional satisfaction beyond the legal requirement, Price created greater employee morale at his company.

B. Economic Responsibilities

A company's economic responsibilities include being profitable in order to provide a return on investment to owners and shareholders, to create jobs in the community, and to create useful products and services to society. Part of being economically responsible means streamlining processes to find the most efficient ways to run a business. This need for efficiency can at times be at odds with the need for social responsibility. Because it can be difficult to assess the value of a company's social responsibility as a tangible asset contributing to company success, some people in the investment community view corporate social responsibility as a fringe issue at best and a cost without benefit at worst. In 1970, the economist and Nobel laureate Milton Freidman published an article in the *New York Times Magazine* titled, "The Social Responsibility of Business is to Increase Its Profits." In the article he referred to corporate social responsibility (CSR) programs as "hypocritical window-dressing," and said that business people inclined toward such programs "reveal a suicidal impulse." Even four decades ago, at a time of growing public concern for the environment his views represented the general skepticism and contempt with which many in corporate America viewed CSR," (Why). Although some business leaders still adhere to Friedman's views, more have made social responsibility a priority. For example, Los Angeles-based home builder Prime Five Homes has been successful even during difficult economic times by having the vision to build sustainable and eco-friendly residences, giving buyers the comfort and knowledge that they are moving into a property that's better for the environment, even though the home may cost more. In addition, the impact of the Electronic

Age is forcing the hand of many companies to address and implement their social responsibilities. In a time when the click of a mouse can expose a company's poor environmental record or unjust labor practices, and a 140 character tweet can then communicate it globally, the ability to hide unfair or unsafe practices in the name of creating additional profitability becomes a difficult proposition. Also, social media allows like-minded people to find each other much more efficiently, creating scale as they have their opinions heard together.

C. Ethical Responsibilities

Ethical responsibilities of a company go beyond the fairness and justice of economic and legal responsibilities to address practices that are either anticipated to be unethical or prohibited by society even though they are not codified into law. Ethical responsibilities reflect concern for consumers, employees and shareholders and take into consideration what the community regards as fair. For example, The Occupy Wall Street movement in 2014 aimed its sights on the financial services industry, addressing the social and economic inequality that many consumers feel is created by banking and investment firms. The actions of these companies, and their strong influence on the government, gave rise to questions about whether the practices of these companies were ethical and in the public good. Business ethical values should be the guiding principles of an organization and can affect any and all aspects of a business. These values encourage individuals in an organization to make decisions based on the company's stated beliefs and attitudes toward business practices in a particular industry. A rejection of a company's ethics can result in a total failure of corporate social responsibility. In the recent Volkswagen case, the company deliberately set out to design a means to circumvent emissions control, with the goal of giving the company an unfair advantage over its competitors, an effort that was known at the highest levels of the company. Volkswagen became the world's number one car maker, primarily on the basis of its supposedly environmentally friendly cars, but they were actually polluting the planet, emitting 40 times the legal limit of nitrogen oxide. Enrique Dans of *Forbes* magazine writes about Volkswagen, "This rejection of any ethical standards in engineering, which has led to the resignation not just of the CEO, but also Audi's head of R&D and Porsche's engine chief, makes one thing absolutely clear: The company's CSR department must have known what was going on." (Dans). Other efforts to address industries with a perceived lack of ethics have developed by way of small businesses like Charitable Agents. This business takes on the perceived cutthroat practices regarding commissions and fees in the residential real estate industry by providing a means for a more ethical approach to the distribution of commissions. Charitable Agents is a network committed to helping homeowners and realtors make a positive impact on their community. The company matches buyers and sellers with a top local performing realtor, and when the transactions closes, 10% of the agent's commission goes to charity.

D. Philanthropic Responsibilities

Philanthropy covers corporate actions that respond to society's belief that businesses should be good corporate citizens. Philanthropy differs from ethical responsibilities in that failure to reach a certain philanthropic level is not viewed as unethical. Philanthropy is voluntary and at the discretion of the company. However, society wants corporations to promote human well-being and goodwill in the community and beyond and supports them when they do. Philanthropy includes such things as matching gift and volunteer grant programs. For example, Google provides its employees diverse giving options. Google's worldwide presence, with 70 offices in more than 40 countries, allows Google's philanthropy to have a global influence. In 2014, more than 6,500 Google employees volunteered nearly 80,000 hours of community service. Google has matched approximately $21 million in employee donations to over 9,000 organizations worldwide. Many small businesses also provide options for philanthropy. Entrepreneurial companies like Do Good Buy Us, an e-commerce website that sells "goods that do good," offers a marketplace of goods whose purchase helps others. They extend their philanthropic efforts by donating 50% of the company's proceeds to causes that fight poverty, hunger disease and other global issues.

E. Environmental Responsibilities

With the issues of pollution, climate change and global warming at the forefront of today's news, companies are increasingly making a commitment to environmental sustainability. More than 8,000 businesses worldwide have signed the U.N. Global Compact which pledges good citizenship in the area of environmental protection as well as human rights and labor standards. Companies, including Marriott International, devote sections of their website to their environmental practices. The Marriott vision states that "Marriott International aspires to be the global hospitality leader that demonstrates how responsible hospitality management can create economic opportunities around the world and be a positive force for the environment." (Environmental). In addition, they define their commitment to (1) further reduce energy and water consumption 20% by 2020, (2) empower their hotel development partners to build green hotels, (3) green their multi-billion dollar supply chain, (4) educate associates, guests and partners to support the environment, and (5) invest in innovative conservation initiatives including rainforest protection and water conservation. On a smaller scale, this type of effort can also be seen on the part of entrepreneurial businesses. People Water, a start-up out of Utah, has a "Drop for Drop" initiative where every bottle of water sold helps to fund one of its global clean water projects. One project is based in India in the drought-prone region of Andhra Pradesh. Here people have to walk miles to get water that is often dirty and unsafe. To help solve this problem, People Water is building clean water wells in the center of villages.

Chapter 4: Impact of Social Responsibility on Different Business Disciplines

Social Responsibility impacts all of the parts of a business including accounting, finance, entrepreneurship and emerging enterprises, marketing, management, and supply chain management. Throughout this section, I will analyze the social responsibility of the various disciplines. Then I will examine how Revolution Foods, a healthy food company targeting lunches for school-aged children, performs on each of these disciplines.

A. *Social Responsibility in Accounting*

Accounting is the scorecard of business. It helps quantify the performance of a company at different times of the year including: how the company is doing as a whole, how individual divisions are doing, or even how individual workers are performing. Social responsibility reporting is an area of accounting that measures, monitors and reports to shareholders the social and environmental effects of an organization's actions. Social accounting quantifies the social and environmental effects of a company's economic actions on particular interest groups in society or to society at large. The accounting firm KPMG identifies seven key criteria for corporate responsibility reporting (CR) identified below (KPMG):

- **Strategy, risk and opportunity-** Reporting should include a clear assessment of the CR risks and opportunities a business faces and should explain the actions it is taking in response.
- **Materiality –** CR reports should demonstrate that a company has identified the CR issues with the greatest potential impacts both on the business itself and its stakeholders. Companies should make clear the process they have used to assess materiality, how they

have involved stakeholders in this process, and how they have used the materiality assessment to inform their reporting and management of CR risks and opportunities.

- **Targets and indicators –** Companies should use meaningful (e.g. time bound and measurable) targets and key performance indicators to measure progress, and clearly report their progress and performance on set targets and objectives.
- **Suppliers and the value chain –** CR reports should explain the social and environmental impacts of the company's supply chain, as well as the downstream impact of products and services, and show how the company is managing those impacts.
- **Stakeholder engagement –** companies should identify stakeholders in their CR reports, explain the process used to engage with stakeholders, and the actions taken in response to their feedback.
- **Governance of CR –** reports should make clear how CR is governed within a company, who has responsibility for the company's CR performance and how the company links CR performance to remuneration.
- **Transparency and balance –** CR reports should be balanced and include information on challenges and setbacks as well as achievements.

Why this matters

The level of detail given to social responsibility in accounting may differ given the size of the particular business. As referenced earlier, large multinational companies like Marriott devote entire sections of their website and annual report to social responsibility in accounting. Smaller firms may not address their social responsibility in accounting in the same way. Smaller companies often embed the social responsibility in accounting into the mission and ultimate success of the business itself. This ensures the commitment of management to being held accountable. Regardless of how a company chooses to present its social responsibility in accounting, it is a necessary addition to traditional financial accounting which tends to narrow the interaction between society and companies. It broadens the scope of accounting to go beyond only economic events and makes the company accountable to a broader group of stakeholders. It also broadens the purpose of a company beyond reporting financial success.

Revolution Foods provides an example of how a start-up has successfully incorporated its social responsibility in accounting into the mission of the company. Launched on the site of a former McDonald's near Oakland, California, Revolution Foods provides healthy, natural, nutritionally balanced meals to school students, particularly low-income students, at a cost of $3 per meal. Initially aimed at California students, today Revolution Foods provides 200,000 meals to more than 1000 schools across the country. More than 75 percent of these meals go to low-income students. Revolution Foods' revenue has grown to $70 million from $8 million in 2009 and are on pace to reach $100 million. Former AOL founder and member of Revolution Foods Board of Directors, Steve Case, sums up its mission by saying, "Revolution Foods is poised to build an iconic brand and company by unleashing a revolution in healthy eating that kids, parents, teachers and communities can celebrate." (Pothering).

B. Social Responsibility in Finance

The Whitman School's video "What is Finance?" explains that "Finance is about raising money for an activity" (Whitman). Being socially responsible can play a major role in making it easier to raise funds. "According to a [Harvard Business School and London Business School co-study], corporate social responsibility (CSR) initiatives do bring one very important benefit to their companies-<u>a superior ability to raise money</u> for strategic investments and initiatives"

(Weisul). Firms with better CSR performance may face lower capital constraints for several reasons:

> " First, superior CSR performance is linked to better stakeholder engagement, limiting the likelihood of short-term opportunistic behavior and as a result reducing the overall contracting costs. Second, firms with better CSR performance are more likely to disclose their CSR activities to the market to signal long-term focus and differentiate themselves. CSR reporting creates a positive feedback loop: a) it increases transparency around the social and environmental impact of companies and their governance structure and b) it may change the internal control system that further improves the compliance with regulations and the reliability of reporting. Therefore, the increased availability and quality of the data about the firm reduces the informational asymmetry between the firm and the investors, leading to lower capital constraints." (Cheng).

As part of the effort for clearer reporting, many socially responsible companies release a sustainability report. A sustainability report allows stakeholders and other parties to take a closer look into how their operations work. This can allow outsiders to understand the business at a higher level, and therefore better understand their investment. For many companies, a greater focus on social responsibility tends to keep them more in touch with stakeholders, making communication and understanding easier and encouraging investment.

Next, looking at how a company budgets and spends its money is an important part of finance. When looking to see how much a company can spend, it is important to budget. However, gathering data to justify sustained strategic investments in environmental, social and governance issues can be difficult. Without such information, executives and investors may be inclined to see programs as separate from a company's core business and unrelated to shareholder value.

Some companies have made progress in tracking operational metrics (like the tons of carbon emitted) or social indicators (like the number of students awarded scholarships). However, it can be hard to separate the financial impact of offering a better product from other aspects of the brand such as quality or price point. But what companies do know is that they are creating real value through social responsibility by increasing sales, decreasing costs or reducing risks. McKinsey and Company works directly with corporations to better value their social responsibility programs in finance. They report, "Many companies are assessing this value in a financial way that uses financial metrics in the market already – growth, return on capital, risk management and the quality of management." (Bonini).

- **Growth** - Social responsibility programs create growth by giving companies access to new markets through these programs. This can be in the form of providing products or services that meet unmet social needs and increase differentiation. Growth can also be obtained getting new customers and market share for these programs. Innovation and technology products and services can be developed for unmet social and environmental needs. These types of programs can create higher brand loyalty, reputation and goodwill among stakeholders.
- **Returns on Capital** - Social responsibility programs can result in bottom line savings through environmental operations and practices such as energy and water efficiency. Higher employee moral can result in lower costs related to turnover or recruitment. These programs can result in increased productivity and improve the reputation of the company, making customers more willing to pay a higher price.
- **Risk** - Social responsibility programs can contribute to a lower level of risk when complying with regulatory requirements and industry standards.

- **Management** - Social responsibility programs can result in the ability to conduct operations and enter new markets with less local resistance. These programs make it easier to secure long-term and sustainable access to safe, high quality raw materials and products by taking part in community welfare and development. They also avoid the possibility of negative publicity and boycotts.
- **Management Quality** -Investing in social responsibility is a long-term strategy that addresses critical social issues. In doing so employees gain leadership skills in this critical area. In addition, by dealing with local communities companies are better prepared to deal with changing political and social situations.

Being socially responsible has a positive impact if done right, but the initial investment may costly and difficult to assess. Finance managers can look, and project how the company can sustain and manage becoming more corporately responsible and whether the company can survive making the switch.

Why this matters

The advantage of financing socially responsible companies is that businesses with greater engagement with stakeholders along with the ability to satisfy financial metrics, including growth and return on capital, get funded. These companies develop a mission and strategies that link social responsibility to all parts of the business including customers, staff, legislators and regulators. This effort fosters a long-term commitment to social responsibility and one that can't be separated from the business itself.

Revolution Foods is as an example of a socially responsible start-up company that has grown to satisfy both its commitment to social responsibility and financial metrics. School lunches for low-income students was not initially an easy sell to the investment community. However, its founders saw potential growth opportunity for investors related to its mission to provide a product that was not currently available and addressed social needs. The company began with a little over $500,000 from angel investors and personal savings of the owners. After that, DBL Investment Partners, an impact investment firm that targets market-rate returns, signed on as an early seed investor. They were attracted to the opportunity to address health problems in low-income communities. They were followed by RSF Social Finance which made a small investment. The company was still immature and faced challenges as to whether its school lunches, which included things like brown rice and vegetables, would be desirable to children over their former less healthy school lunch alternatives, like french fries and chicken nuggets. The first four Bay Area schools that signed on were also concerned. At first children did not want to eat this unfamiliar and healthier food. To address this issue and stay on mission, Revolution Foods went into school lunchrooms to educate administrators and lunchroom staff about nutrition and behavior. As a result, students began to accept the changes and Revolution Foods completed its first year with 28 additional school contracts and $1million in revenues. This growth was noticed by other investors, including Oak Investment Partners and Catamount Ventures, and other venture capital firms that participated in Revolution Foods $6.5 million Series A financing raise in 2009, even before the company was profitable. That capital infusion financed expansion into Washington, D.C. and Denver, CO. Other kinds of capital came in at different stages of Revolution Foods' growth. The City of Oakland recognized the development and job creation potential of Revolution Foods and offered them a $500,000 low-cost loan to build a larger production facility where Revolution Foods hired an additional 40 workers. Since schools don't pay for Revolution Foods meals until they have been paid through the National School Lunch Program, Revolution Foods went to RSF for working capital loans. To serve public schools in New Orleans, Revolution Foods secured $6 million in debt and equity investments from the W. K. Kellogg Foundation to build a new production facility (Pothering). Revolution Foods hit $75.6 million in revenues in 2013, had a 3 year growth rate of 235%, and created 1010 jobs (Revolution Foods Is). Certainly, the investors for Revolution Foods reaped financial gains, but they also distinguished themselves as willing to fund mission-based companies. The capital that these investors put into building this company came with the added advantages of funding and being associated with a socially responsible company.

C. Social Responsibility in Entrepreneurship and Emerging Enterprises

I will expand much more on social responsibility in entrepreneurship later in the paper, but what I want to note here is that more and more companies are finding success creating socially responsible ventures. It has come to the point where socially responsible companies (also known as social enterprises) have become their own category of business. Socially conscious entrepreneurs are poised to embrace the competitive edge derived from investing in social responsibility and put to bed the myths listed below by their less willing predecessors (Baird).

- **Myth 1** - *Impact investing is a fancy term for giving away money* – Entrepreneurs understand that purpose and profitability go hand in hand.
- **Myth 2** - *Environmental and social welfare are the government's responsibility*- Entrepreneurs take a more holistic approach to growth, unlocking unrecognized value and creating competitive advantages.
- **Myth 3** - *The point of corporate sustainability is to improve reputation - anything more hurts shareholders* – Entrepreneurs recognize that many sustainable companies outperform their unsustainable counterparts.

- **Myth 4 -** *It's human nature to prioritize profit over sustainability* –Entrepreneurs realize that consumers are more educated than ever about sustainability and corporate values and are putting their money into companies with sustainable practices.
- **Myth 5** - *Stakeholder capitalism is a choice* – Entrepreneurs realize that stakeholder capitalism is vital to an industry's survival. They need to treat the interests of all stakeholders roughly equally instead of favoring just investors.

Why this matters

The way a company manages its relationship with the external world is becoming more critical to the success of businesses. Companies need to incorporate interaction with stakeholders into their business decisions. Revolution Foods demonstrates the success that can be achieved by doing this. In addition, it supports the notion that each of the above myths are false when it comes to building a socially responsible start-up. Revolution Foods is a successful company that has handsomely rewarded its investors, has a mission related to social welfare, has benefited shareholders, has prioritized corporate values over profitability and has recognized the necessity of incorporating the interests of stakeholders at all levels of the business.

D. Social Responsibility in Marketing

Socially responsible marketing is demonstrated when a company takes ethical actions that encourage a positive impact on all the company's stakeholders including employees, community, consumers and shareholders. Companies must continue to monitor trends and shifts in society's values and beliefs. Since a company cannot satisfy all the needs of society, marketers must identify the facets of social responsibility that they want to impact and do so while achieving company objectives. They must first define what ethical marketing is for their company. Then they need to decide which facet or facets apply to their marketing. After that, they need to come up with a marketing plan to implement their choices. This will include an evaluation of which areas of a company's operations will be included as part of the marketing program. Lastly, the company will need to analyze and assess how much social marketing will cost the company and measure this against the benefits of social marketing in the long run.

Having a socially responsible business with a marketing program poised to make an impact on society is great, but you need to start letting people know about it. According to a new study by Nielsen, "Fifty-five percent of global online consumers across sixty countries say they are willing to pay more for products and services provided by companies that are committed to positive social and environmental impact" (Global). The Nielsen study goes on to conclude that consumers are more likely to support a company that they believe is being ethical and fair at all levels of a product's life.

So when it comes to marketing with socially responsibility, it is important to determine how to effectively spread your message. Forbes contributor Steve Olenski wrote an article where he highlights the three ways in which to "kill it" with socially responsible marketing. These rules are:

- **Be honest and transparent about social causes –** Companies today are marketing in a digital age where everything they communicate to consumers is subject to scrutiny on the internet. One untruthful or unethical fact put out by the company can spread rapidly in the digital world. In order to convince customers of their compliance to socially responsible marketing, they must prove to their audiences that they are fair and honest in their advertisements.

- **Be aware of legal regulations specific to the industry** - Companies must adhere to the regulations of their specific industry. Some industries' advertising practices are more closely monitored than others - for example, financial services or pharmaceutical companies. To be successful, social marketing must demonstrate a knowledge of the ethical practices of the industry.
- **Be involved with your audience at a social level** - Companies are also connecting with their audiences using social platforms like LinkedIn in order to better identify their customers and create marketing programs that address their needs. Social platforms also give companies the opportunity to communicate positive aspects of their social marketing in terms of positive press they have received for good deeds and causes they support. This in turn will help them better establish themselves in their industry (Olenski).

Why this matters

With an expanding interest for products that are marketed in a socially responsible way, there exists the opportunity for companies to go beyond traditional marketing goals in order to make a difference in the world around them. Effective marketing requires a detailed knowledge of both the preferences and resources of consumers. Socially responsible marketing expands this to include preferences and resources of all stakeholders and uses this information in the marketing process. Again, this will impact decision making at all levels of the company. The knowledge gained by learning about stakeholder interests will help identify additional opportunities as well as potential problems before they arise. It gives a company the advantage to act before the competition. A close relationship with stakeholders can help a company spot trends that they might not have otherwise seen.

Revolution Foods identified in its company's mission the need to provide a healthy school meal alternative to lower-income students. They identified a niche that had not formerly been satisfied. They did so with kid-friendly packaging and tweaking recipes students are familiar with. The company chefs visit classrooms to do taste tests and cater to regional tastes - for instance, jambalaya in New Orleans and enchiladas in California. They provide the meals via federal funding which keeps costs down. They cook the food in centralized kitchens and deliver it to schools where school employees serve it to the students (O'Connell). Revolution Foods has "killed it" with socially responsible marketing, making a difference to all its stakeholders.

E. Social Responsibility in Management

Social responsibility of a company can be broadly defined as the obligation of management towards society. Businesses are an integral part of society, and as a result should respond to the demands of society. If they fail to do this, society will protest and force them to comply either through law, or by threatening the business survival by abandoning its products. As a result, it is in the best long-term interest for management of businesses to assume an active role in social responsibility. The image of a company depends not only on the quality of its products and customer service, but also to the extent that achieves the expectations of its owners, employees, consumers, government and community. For long-term success it is important that a company maintain a positive image with the public. Management must continually consider whether its policies and actions promote the public good and advance the basic values of its community.

In addition to providing for the financial interests of company owners, managers must take into consideration and address the interests of other stakeholders including employees, customers, and the community as a whole. The primary areas that socially responsible managers need to address are:

- **Responsibility toward owners** - Managers must assure a fair and reasonable rate of return on capital and fair return on investment.
- **Responsibility toward employees** - Responsibility toward employees includes fair wages and salaries, a safe workplace environment, good labor and management relations and a general concern for employee welfare.
- **Responsibility towards consumers -** Serving consumers is the primary concern of management in any competitive market. Managers must satisfy consumer needs and protect consumer interests. Goods and services must be of an appropriate quality and be available in adequate quantities at reasonable prices. Management must avoid deceptive practices such as creating artificial scarcity to drive up prices or producing false or misleading advertising.
- **Responsibility toward the government** - Management must conduct business in a lawful manner, pay its taxes and should not engage in corruption of any kind for financial gain. Business practices need to conform to the economic and social policies of the government.
- **Responsibility toward community and society –** Management must put in place policies that protect and strengthen the community. For example, they need to provide employment for the disabled, build up less advantaged parts of the community and provide environmental protection and pollution control.

As a manager, it is very important to develop a culture of social responsibility for the ultimate long-term success of the business. By starting with a workplace culture that embraces social responsibility and creating rings outward to community and society, allows employees to provide a greater return and stakeholders to be happier. In turn this will reinforce the continued favorable image of company management with its stakeholders.

Why this matters

Integrating social responsibility at the management level moves CSR from being viewed as a qualitative activity to an important contributor to profitability. Managers can then apply the same tools they use for other business functions – creating capabilities, establishing processes and measuring outcomes. Companies must train employees to understand the company's policies on social issues. They can then determine strategies, design products or plan projects with consideration for the impact on all stakeholders and the consequences for the business. Lastly, managers can determine and measure outcomes in terms of value added to business. (Brown).

Socially responsible management has been demonstrated by Revolution Foods. According to Nancy Pfund, founder and managing partner of DBL Investment Partners and the first investor in Revolution Foods, "It was very difficult for the founders to attract investment because the company's purpose was 'off spec' from traditional business venture models" (Pothing). Instead of making changes, Revolution Foods founders and management adhered to the socially responsible mission of their business and used education as the tool to create a successful brand. By doing so, they satisfied their management responsibility to investors, employees, consumers, community and society.

F. Social Responsibility in Supply Chain Management

There is a lot of public information about companies, especially large public ones, but not much information about their supply chains. For example, look at Under Armour. There is a lot of information about their marketing strategies - who they are trying to reach, where they are trying to sell, and how expensive the product is. Their management objectives can be found online, and there are many articles about the management team and their management style. In addition, their finances are available because they are a public company. However, very little information is published about their supply chain. I called the Under Armour customer service representatives, explaining that I was doing a school project and that I needed some information on their suppliers. I received the following answer: "I am sorry sir but that information is all classified; I can't really share anything with you."

"What is Supply Chain (SC)?" defines a supply chain as follows:

> "The supply chain comprises a network of individuals, organizations, resources, activities and technology involved in the creation and sale of a product, from the delivery of source materials from the supplier to the manufacturer, through to its eventual delivery to the end user. Supply chain management is the overseeing of materials, information and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. The three main flows of supply chain are the product flow, the information flow and the finances flow. Supply chain management involves the coordinating and integrating of these flows both within and among companies" (What Is Supply).

This category could arguably be one of the most controversial in social responsibility. When creating a supply chain, companies often work with multiple suppliers, both domestic and global, and all have different company cultures. Having a socially responsible supply chain is expensive and complex, so there is a great inclination to keep what happens in your supply chain from the public. This makes it the easiest area of business to "turn a blind eye to" when balancing social responsibility and shareholder interest. However, with the increased visibility and negative publicity that companies face in the exposition of a socially negligent supplier, companies are becoming more active in addressing their obligation to put in place a socially responsible supply chain. For example, pictures flashed across the world when the Rana Plaza building collapsed in Bangladesh killing 1,130 garment workers who were forced to return to work in a structurally unsound building. The factory manufactured apparel for companies including Walmart, The Children's Place, Joe Fresh and Benetton.

Addressing social responsibility in supply chain management encompasses the following areas:

- **Environmental Responsibility** - Companies must monitor the environmental impact of suppliers and develop an environmental purchasing policy, better known as "green buying" that reduces the environmental impact of their own suppliers' activities, goods, and services.
- **Human Rights** - This includes company awareness and action to eliminate from the supply chain complex practices including child labor, slavery, working conditions and wages, and exploitation from the supply chain.
- **Equal Opportunity** - The company must ensure that the supply chain addresses issues involving discrimination on the basis of race, sex, religion, sexual orientation and age.
- **Diversity** - The company must create initiatives to increase the amount of diversely controlled businesses in the supply chain (e.g. ethnic, minority and woman owned businesses).
- **Corporate Governance** - There must be detailed and transparent reporting processes across supply networks and supplier accountability for supplier performance.

- **Sustainability -** The company must work in ways that meet and integrate existing environmental, economic and social needs without compromising the well-being of future generations.
- **Impact on Society** - How a company treats its workforce and maintains supplier relationships will determine if the company is seen as a good corporate citizen.
- **Ethics and Ethical Trading** - In doing business worldwide it is essential that a company develop core principles of conduct which can be applied to employees and suppliers around the world morally, if not legally.
- **Biodiversity** - Companies must protect diversity relating to habitat, genetics, and species, particularly offshore suppliers in developing nations.
- **Community Involvement** - Companies must become valuable members of the communities in which they operate, benefitting all stakeholders.

Why this matters

The attention toward social responsibility in the supply chain has increased in recent years, and consumers are demanding to be informed of company practices in this area. Companies are expected to keep track and report on their own manufacturing activities as well as transportation, distribution and procurement. At the same time, they need to monitor the related activities of their extended supply chain. They also need to show diversity and inclusion in hiring practices. The importance of identifying human rights abuses, protecting the environment, striving for sustainability, and providing equal opportunity are issues that are now part of the public and political forum. The attention given these issues is only likely to increase, creating a greater obligation on the part of companies to adhere to social responsibility in the supply chain.

Within the product flow of their business, Revolution Foods is cognizant of the steps that need to be taken in order to ensure the food that arrives at the school is in line with its mission. Revolution Foods states the following on its website: “We have built a best-in-class, high quality supply chain combining the best national brands with specialized local producers. The result: great food at a competitive price” (Revolution Foods | Feeding). In preparing its meals, Revolution Foods partners with Whole Foods to focus on organic and local ingredients. The company is most concerned with the nutritional benefit of the food selection - for example, brown rice over white rice, with each meal having whole fruits and vegetables. Food safety is an important element in the supply chain. Because their food is not frozen, processed and contains no preservatives, the company manages every point in the supply chain to protect against food-borne illnesses, carefully monitoring proper temperature control and handling of product. They also check to ensure that hot food arrives hot and cold food arrives cold. Many of the schools Revolution Foods delivers to do not have kitchens, so the hot food needs to arrive above 135 degrees. The company has trucks with warming units to accomplish this. The drivers of the trucks must know how to handle food in a safe manner and are trained by the company. The company views its drivers as food safety experts. As a result of all the training and detail that the company applies to its supply chain, the company’s workers takes pride in what they do. The company strives to make everyone feel like family, and workers are aligned with the company’s social mission. Through its supply chain, Revolution Foods supports its three principles – “standards of high integrity food, adherence to the strictest food safety practices and the social mission of education for both students and employees” (The Revolution Has). By adhering to social responsibility in its supply chain, Revolution Foods successfully engages with stakeholders on all levels of its business and in the community.

Chapter 5: The Benefits of Social Responsibility

As a reader, you may look at this section title and think, "Didn't we just establish that social responsibility provides a positive impact? Aren't the benefits sort of obvious?" Although this is true to some extent, the deeper one digs into the practices of socially responsible companies, the more kinds of benefits and stronger cases for benefits are found. Below is a list of some of the main benefits generated through the implementation of social responsibility. (Forbes)

- **Innovation** - With a focus on sustainability, companies will be able to develop new product offerings that reflect their commitment to socially responsible marketing.
- **Cost Savings** - One of the easiest ways for a company to start the process of engaging in sustainability is to use it as a way to cut costs. These savings can be reflected in things like reduced energy or packaging costs.
- **Brand Differentiation** - An emphasis on social responsibility in delivering products and services can be a way to differentiate similar product offerings.
- **Long-Term Thinking** - Pursuing policies supporting social responsibility requires management to develop a more long-term interest, particularly in the areas of protecting the earth and environmental sustainability.
- **Customer Engagement** - Social responsibility allows a company to build a strong reputation with customers, creating goodwill by educating consumers about a company's positive impact beyond traditional product and service offerings.
- **Employee Engagement -** A company that is socially responsible attracts not only good employees, but increases retention. In addition to attracting quality employees, it will also attract investors, suppliers and customers who will be happy to help the company achieve its objectives.

There are benefits for companies that address social responsibility from a global standpoint. As more companies participate in social responsibility, their global impact can be felt. TOMS and Better World Books illustrate how corporate social responsibility can have a positive global impact.

TOMS, a for-profit shoe company, created a program called “One for One.” For every item purchased, the company gives that same item to a child in need. According to TOMS, as a result of this social responsibility:

- “Over two million children have been protected from hookworm with medication and TOMS Shoes provided by our Giving Partners.
- There has been a 42% increase in maternal health care program participation as a result of shoe distribution
- Liberian primary school classrooms saw an increase in student enrollment of 1000 after TOMS shoe distribution began
- During shoe-integrated health screenings, 100 children were identified as needing malnutrition care in Malawi” (Improving).

The “One for One” program helped TOMS achieve brand recognition as well as customer engagement amongst socially-minded consumers. The company’s success has enabled TOMS to expand its original products and “One for One” mission beyond shoe sales to sales of TOMS Eyewear, where each pair sold provides a full eye exam and treatment for one person, to sales of coffee from TOMS Roasting Company which provides a portion of profits from each sale toward one week’s worth of clean water to a person in need, to sales of TOMS Bags, where each sale provides materials and training to help provide for safe births, and to sales of TOMS StandUp Backpack, where each sale provides funds for training of school staff and crisis counselors in prevention and response to instances of bullying. While expanding its presence with new products, TOMS global focus has created additional social benefits to people and communities around the world. TOMS innovated social responsibility practices in start-ups with its “One for One” business model. This way of doing business has been adopted by many other socially responsible companies. By doing this, TOMS differentiated its brand of shoes and engaged with customers and employees to be socially responsible contributors in the creation and purchase of TOMS products.

Another example of an impact driven business with global focus is Better World Books, an online for-profit bookseller of used and new books. Better World Books donates books or a percentage of its profits to literacy programs around the world. Better World Books’ used book inventory comes primarily from donation boxes found on corners and college campuses. From its inception, the founders agreed that the company would be a triple bottom line company accountable to people, planet and profit. The original concept of the company was to develop a unique supply chain by collecting used books, saving many of them from being discarded in landfills, and then contribute part of each sale to a non-profit aimed at improving literacy in different parts of the world. On its website, Better World Books states that “We understand the importance of running a profitable enterprise. But while most businesses answer only to their shareholders, we answer equally to all our key stakeholders: our employees, our customers, our literacy partners, our investors and the environment” (How). As of July 2015, Better World Books has raised over $20 million for literacy and education nonprofits and libraries including the donation of 6 million college textbooks primarily to schools in Africa through Books for Africa. They have adhered to their triple bottom line of social responsibility for people by helping to improve literacy while providing jobs for 340 employees in the U.S. and Scotland, for the environment by taking steps towards balancing out carbon emissions generated through all of the company's activities, and for profit by generating revenues approaching $65 million through year after year double digit growth (Field). With their focus on people, planet and profit, Better World Books uses sustainability practices to reduce costs and to differentiate themselves in the bookseller marketplace. They engage customers and employees as part of their social mission while achieving significant growth in profits for investors.

As illustrated above there are many company benefits that come from engaging in socially responsible business practices. For some companies the benefits are derived from the relationship established with employees. "Companies that value their employees as individuals and community members are more likely to enjoy less attrition, loyalty, and enthusiasm from its employees which ultimately yields higher customer satisfaction...companies take social responsibility seriously, they enjoy competitive advantages, higher brand recognition and reputation, lower employee attrition and better employee engagement" (Beuder). For others, like Revolution Foods, it may come from innovative product offerings. There are numerous examples of how social responsibility can affect the three "P"s of the triple bottom line very positively: people, profit, and planet. (Triple).

Chapter 6: The Disadvantages of Social Responsibility

In 2011, Harvard professor Michael Porter put forth a proposition to global corporations on the idea of shared value, “Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center”. (Whaley). Larry Summers, the former U.S. Treasury Secretary and a colleague of Michael Porter at Harvard, was overheard at the World Economic Forum meeting in Davos, not long after the announcement of the idea of “shared value’, asking incredulously, “Do you believe this [expletive]?” (Whaley). Although, it might have been extreme to quote a treasury secretary cursing about social responsibility helping the economy, it brings up a point. If a company invests in social responsibility and does not see returns, is it really a good investment?

Wall Street Journal columnist Aneel Karnani argues, “The idea that companies have a responsibility to act in the public interest and will profit from doing so is fundamentally flawed.” (Karnani). Karnani goes on to say that where private profits and public interests are aligned that corporate social responsibility is irrelevant. Companies will focus everything on increasing profits and will end up increasing social welfare. Where profits and social welfare are in opposition, corporate social responsibility will be ineffective because executives are unlikely to voluntarily act in the public interest over shareholder interest.

Deborah Doane writes what she views as the four myths of CSR. She argues that assuming companies can do well while also doing good is not how markets work. (Doane).

- **Myth 1 –** *The market can deliver both short-term financial returns and long-term social benefits.* Investments in CSR are more long-term in nature and usually don’t pay off in the 2-4 year time horizon that public companies through the demands of the stock market require. Because of this, social responsibility programs often end up being cut before they can achieve their benefit. Private companies may have more flexibility but still have to answer to their investors.

- **Myth 2 –***The ethical consumer will drive change.* Although there is a small market rewarding ethical business, for most consumers ethics are relative. Surveys show that consumers are more concerned about price, taste or sell-by dates than ethics. Walmart's success reflects this.
- **Myth 3 -** *There will be a competitive "race to the top" over ethics in business.* Companies desire to be aligned with corporate responsibility programs to benefit from good publicity. However, in some cases, businesses will be able to capitalize on goodwill efforts by signing things, like the U.N. Global Compact, without having to change behavior. In addition, competition may exist to have good social responsibility while the companies winning at this may actually be promoting unhealthy products like tobacco. Also, while companies are trying to be socially responsible to the outside world, they may be hiding irresponsible behavior such as lobbying efforts or tax avoidance.
- **Myth 4 -** *In a global economy, countries will compete to have the best ethical practices.* Many companies have failed to uphold voluntary standards in developing counties, claiming that they are operating within the laws of countries they are working in. Competition for foreign investment on the part of developing countries has actually led to governments limiting strict compliance to human rights and environmental standards.

As an example, look more closely at Myth 2, "the ethical consumer will drive change." Cause, a failed restaurant in Washington, D.C. opened in October 2012 and had to close its door 14 months later, unable to achieve regular profitability and ultimately unable to achieve its mission.

The restaurant was a "philanthropub" that was designed to generate donations for charitable organizations. It had a for-profit model where once costs were covered, it would direct 100 percent of its profits to a rotating series of charities. In their examination of the failure of Cause the founders identified several reasons for their failure.

- **Don't oversell the mission –** Knowing the competitive nature of the restaurant business, the founders knew that to stand out they needed excellent food and service. Although they achieved this, they relied on the media to do too much of their marketing. Most of this marketing reflected more on the mission. After media coverage, they would see a spike in web traffic, but no increase in sales at the restaurant. In hindsight, the founders recognized that they should have developed a strong marketing campaign of their own, focusing more on product and service than mission.
- **Doing a disservice by putting the mission front and center** - With publicity focused more on the business model, and not on Cause as a restaurant, the founders struggled to establish an identity as providers of a service people would pay for.
- **Don't rely on the mission** - Consumers loved the idea of Cause, but to be successful, the restaurant needed a base of customers. Former owner Nick Vilelle stated, "I had countless conversations with folks who had heard of the bar, who loved the idea, who had all sorts of questions. But when I asked if they had been to our place, all too often they said, "Oh I've been meaning to," or "Yeah, I went once, when you first opened." As it turns out, all that interest didn't lead to a behavior change. It didn't change where people went out to dinner on the weekend" (Chambers).
- **The nonprofit market is not always profitable** - Although the restaurant was embraced and frequented by the nonprofit community, they were not necessarily big spenders. The

owners came to realize the importance of understanding the demographics of a target market.

- **The charitable world isn't always charitable** - Cause received many requests for donations from nonprofits for free use of their facility and free food. When they had to turn down these requests the organizations making the request would refuse to hold the event there even though the alternate venue didn't supply anything free to them. The lack of support by the social sector in this way was disappointing to the owners.

Myth 1 addresses the difficulties faced by companies adhering corporate social responsibility while at the same time meeting short term profit demands. Apparel start-up Liberty & Justice demonstrates some of the stumbling blocks a company with a social mission can face. Normally, an apparel manufacturer would not likely be located in Liberia. However, Liberty & Justice is the first trade-certified apparel manufacturer founded in Africa. After growing up in Germany and the United States, founder Chid Liberty returned to his native country, Liberia, to start his company after being inspired by the Liberian women's movement that catalyzed the end to the country's civil war. After receiving two contracts worth $40 million and preparing his factory and training his staff, he was forced by the Liberian government to shut down due to the Ebola crisis. The crisis was devastating, not just for the company, but for those the company supported - 303 workers, the majority female, own a 49% stake in the factory. Suddenly they lost their livelihood and the health of their families was at risk. After the state of emergency was lifted, Liberty & Justice began marketing to customers again, but they couldn't get anyone to order. In a typical sale, corporate buyers want to send their compliance and quality control people to the factory. After the Ebola crisis no one wanted to do this. Although Liberty & Justice is still in business, the company prospects are uncertain.

Production in a developing nation can present additional challenges to growth and profitability. In assessing how this impacted his company Chid said, “Sometimes as entrepreneurs we don’t have as much respect for capital risk as we should. On the other side, I think investors need to come to terms with their own relationship with capital risk and what kinds of capital and what kinds of risk they are trying to take. Country risk is very real, not because of things we see today, but they’re real because of the shaky infrastructure of the places that we’re working” (Ebola). Although he goes on to say that he believes that the risk is worth it to lift the cycle of poverty, he recognizes the challenge that this poses to the profitability of the company.

The case against the effectiveness of social responsibility does give rise to disadvantages that may present themselves when companies pursue these programs. However, it is left to determine whether the benefits outweigh the disadvantages and to examine the direction of societal demands toward implementation of social responsibility programs. Both of the above examples demonstrate that having a social mission does not shield a company from the forces of capitalism. At times, it can place an added strain on the company that can make it more difficult to survive and ultimately thrive.

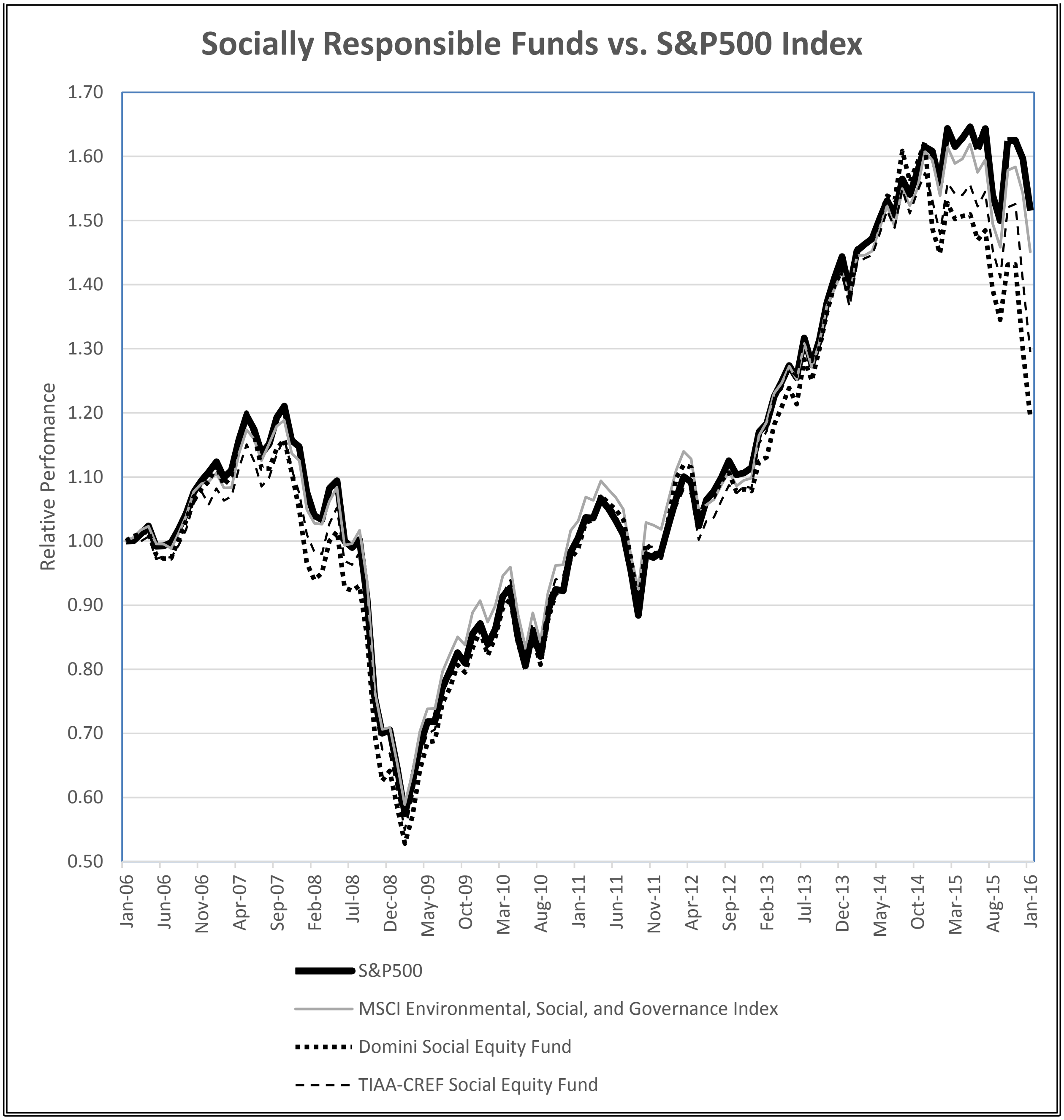
Chapter 7: Measurement: How do Socially-Responsible Companies Perform Compared to Their Peers?

Historically, businesses were created to provide goods and services to society. Initially, the principle role of businesses was to create these goods and services and to make a profit. As the focus of businesses leaned more toward short-term profitability and quarterly shareholder accountability, company managements began to make profitability the exclusive goal. The goals of maximizing earnings per share, achieving maximum profitability, and operating at the highest operating efficiency have impacted firms' choices, both positively and negatively in the areas of corporate social responsibility and sustainability.

For example, Foxconn, the Taiwanese electronics manufacturer which assembles Apple products in China, was plagued by multiple suicides recently as unhappy and overworked employees threw themselves off buildings. In the conflict between social responsibility and corporate returns, Foxconn prioritized profits over worker safety and satisfaction. This contrasts with Starbucks, which markets its coffee as beneficial to the growers that produce it because they pay a "fair price," and how this act of social responsibility justifies in part its higher prices. Clearly Starbucks has found a way to combine corporate social responsibility with profits. In first quarter 2015, Starbucks's net profit margins were 20%, up from 13% in first quarter 2014.

One of the key questions managements wrestle with is: Is it more or less profitable to run a social responsible firm? In the race to develop green energy sources in California, "many business leaders….warn that green policies will increase costs and force them to scale back their California operations. Schwarzenegger (governor at the time) dismissed the criticism, arguing that the new jobs and wealth created by going green will more than offset any higher costs to society." (Dumaine, 228). In 1999, DuPont executives estimated that for every ton of carbon it no longer emitted, it saved its shareholders $6, and that by 2007 its efforts saved the company $2.2 billion per year. (Lovins, 6).

While there are many anecdotes about the costs or value of social responsibility, there are now mutual funds that define themselves as engaging in socially responsible investing, and their returns can be measured compared to broader indices like the S&P500. This investment style has become more popular as Kiplinger estimates that there are 493 socially responsible funds with assets of $569 billion, up from only 55 funds with assets of $12 billion in 1995 (Glassman). Some mutual fund families, such as Calvert and Domini, specialize in socially-responsible investing, and many large mutual fund families, such as Neuberger Berman, Gabelli, and TIAA-CREF have individual funds that support this strategy. A chart of the returns for some of these funds follows.



From the returns, it is clear that these funds closely track the general market index over long periods of time, and though there are some periods of outperformance or underperformance, there is not a remarkable difference between socially responsible firms and the average public corporation. Therefore, from a returns basis, it does not appear that being a socially-responsible corporation, as defined by these funds, detracts from company performance. It is interesting to note that the funds' outperformance has tended to occur in generally rising markets while their underperformance has occurred in falling markets. Some of the recent underperformance of funds focused on socially-responsible companies may be due to the dramatic fall in oil prices as these funds tend to be overweight energy and alternative energy investments.

Chapter 8: Social Responsibility in a Start-Up World

A. Implementing Social Responsibility

To date, much of the focus in terms of resources allocated to social responsibility programs has been done by more established larger companies under the label of corporate social responsibility (CSR). These companies are more high profile and concerned with protection and enhancing their reputations by implementing CSR. They have greater resources than do small and start-up companies. However, much of the attention given to CSR in larger companies is primarily for economic gain. When discussing this motivation in large companies N. Craig Smith, INSEAD Chaired Professor of Ethics and Social Responsibility writes, “They [their managers] may well be intrinsically motivated-but the rise to prominence of CSR of late is driven primarily by a strengthening of the “business case.” The CSR business case comes in many different forms. In essence, however, it rests on the recognition that attention to the corporate social and environmental responsibilities is generally in the long-term economic interest of the firm” (Smith). For example, Swire Beverages Ltd., a Coca-Cola bottler in China, invests in water conservation in its bottling plants. China is a country with a growing water crisis, and by doing this Swire saves billions of liters of water. By addressing its social and environmental obligations, Swire reduces a business risk with regard to both a key resource necessary to production of its product and in terms of its reputation and license to operate. This program on the part of Swire represents an example of a “business case” for social responsibility. Start-ups have a greater opportunity to put the social mission of the company directly into the business model at inception.

B. The Distinction Between Social and Commercial Entrepreneurship

Not all start-ups favor a focus on social responsibility. Research on social entrepreneurship sheds more light on the differences between companies that embrace social entrepreneurship over those that rely on commercial entrepreneurship. The article, “Entrepreneurial processes in social contexts: how are they different if at all?” (G.T. Lumpkin et al 2011) looks at the relationship between four antecedents that are unique in a social entrepreneurship context. They are (1) Social Motivation/Mission, (2) Opportunity Identification, (3) Access to Capital/Funding and (4) Multiple Stakeholders.

- **Social Motivation/Mission** - The article states, “First, and perhaps most significantly, commercial entrepreneurship generally emanates from self-focused desires such as wealth accumulation or self-employment, whereas social entrepreneurship tends to derive from other-focused or collective-focused aspirations such as wealth giving or sharing or community development. For this reason, profit-related goals are often subordinate to the social mission or, at most evenly prioritized with social goals depending on the type of social entrepreneurship” (Lumpkin). In addition, social missions are focused on long-term problems in society like equality, poverty and global warming, while commercial missions focus more on the desires of consumers beyond their basic needs. Lastly, social missions tend to be more thought out with meticulous planning going into guiding that mission, while commercial firms do not have the same resolve with their missions.
- **Opportunity Identification** - In commercial missions, the opportunities are identified by their profit-making potential. In social missions, there needs to be a legitimate need for

entrepreneurial activity and that need must be seen to help society. One of the ways the opportunity is recognized is whether it brings in financial and community support.

- **Access to Capital/Funding –** Although getting the initial funding for either social or commercial entrepreneurs can be difficult, commercial ventures that can generate cash flow have better access to bank loans and private funding than social ventures. This causes social ventures to rely more on a mix of income, investments and donated resources.
- **Multiple Stakeholders –** Social ventures have a larger group of important stakeholders than commercial entrepreneurs. The article states, "In commercial settings, investors, employees, and suppliers and buyers of its goods and services are required for venture success and are therefore the most influential stakeholders because they have a fiduciary stake in the business (Rutherford et al 2009). Other groups such as local citizens, government agencies or the community in which a commercial venture operates-non fiduciary stakeholders-may have less legitimacy, power, and/or urgency for commercial ventures" (Lumpkin). The social entrepreneur has the same stakeholders as the commercial entrepreneur and additional ones as well. Social entrepreneurs embrace those stakeholders seen less important by the commercial venture. They may even represent stakeholders as purchasers of the goods and services of a commercial venture.

From their beginnings, there exists fundamental differences between a commercial venture and a social one. These give rise to telling differences between the social responsibility practices for small startup businesses versus large corporations. Many large corporations developing CSR programs are at their roots commercial ventures trying to adapt to the changing social environment. There are many key distinctions between large corporations and start-up businesses.

C. Fundamental Differences Between how Start-ups and Established Companies View Their Businesses.

First, small businesses are generally managed by owners who are also often the founders of the company. This can result in philosophical differences in the commitment to corporate goals. Few successful entrepreneurs start their companies with the sole purpose of making money. They want to offer a product or service to the marketplace where they have identified a niche or need that they feel has not been addressed. Some even refer to their idea as their “baby”. They often have a societal need in mind. At this level of involvement, the founder’s commitment to purpose is much easier to foster than within a large company. HEROfarm, founded by two laid-off advertising executives, is a social mission-focused marketing and design agency whose philosophy is to “do great work for good people” (Taylor). Less driven by money and more by their mission, the founders made the decision to work with socially responsible companies after they realized how impactful advertising can be when working with a company with a commendable mission. HEROfarm also does at least one pro bono campaign per year for a nonprofit.

Second, with small businesses everything is more personal. At the start of a small business, the personal relationships formed are often key to the success of the business. Employees all know each other and are all known to management. It is a more family-like environment than in a large company. This often results in employees being treated better than in large companies. This in turn increases motivation and commitment to the company and its goals. These personal relationships often expand to the community surrounding the business. These businesses provide employment on a local level, often relying on suppliers and customers in the local community. This often results in small businesses being more socially responsible than large corporations in supporting the community where they operate. Good Eggs, a San Francisco based organic food delivery service which supports local food systems, has established its mission on building authentic relationships with their producers, employees and community. In doing so the company states, “We’ve created a network of people who genuinely care about getting you great food, and the impact of food choices on our communities and environment. The producers on Good Eggs are driven by passion and principle, not shareholder returns.” (Good Eggs).

Thirdly, small businesses have fewer resources than large companies. As a result, they typically cannot invest in social responsibility programs where the economic pay-off is longer term. They are less likely to focus on the big communications programs that large corporations put together to trumpet their social responsibility programs. They need to be extremely strategic in how they allocate both financial and personnel resources toward their social responsibility efforts. Headbands of Hope was started after its founder had an internship with the Make-A-Wish Foundation. She saw that girls liked to wear headbands after going through chemotherapy and losing their hair. Headbands of Hope sells headbands made in the U.S., and for each headband sold one is donated to a child with cancer (similar to the TOMS “One for One” business model). With more limited marketing resources than a large company, Headbands of Hope generates sales by recruiting representatives through its ambassador programs who receive product in exchange for their effort. The website recruits reps with this message, “The best way to tell our story is through people. That's why we've developed a series of ambassador programs designed to create hope storytellers all over the world. Oh - and did we mention you earn your favorite headbands?" (Become). The ambassadors include College Campus Reps, Health Care Worker Reps, Community Reps, Photographer Reps, and Instagram Reps. They all work for product and perform functions including promoting headbands, generating on-line sales, distributing to local hospitals, selling at local events, generating local press, and taking photographs. In June 2015, Headbands of Hope had donated to every children's hospital in the U.S.

Although small companies may be less able to bring to scale the gains in efficiency that large corporations can achieve, there are areas like green-tech, which will be discussed later, where start-up businesses have been successful in attaining business opportunities.

D. Management Styles of Socially Responsible Start-Ups

As the CEO of a socially responsible entrepreneurial company addresses ways to incorporate the varying facets of social responsibility into their businesses, they must achieve balance between creating financial and social value, managing financial objectives, and in doing so decide how explicit they will make this decision to customers. The Research Initiative on Social Entrepreneurship (RISE) at the Columbia School of Business examined 211 entrepreneurs and their for-profit ventures in 7 industries (Agriculture, Health and Food, Consumer Products and Retail, Energy, Environmental and Utilities, Financial Consulting and Services, Manufacturing, Construction and Transportation, Media, Education and Communication and Software and IT). They went on and defined four types of Social Venture CEO types – Activists, Market Pioneers, Change Agents and Market Influencers. (Clark).

- **Activists:** Activists are the most socially oriented of the four types. They are always explicit with consumers about social objectives, and when looking at the balance between social and financial responsibility, they see the emphasis is equal or on social goals. This group is most likely to create social value by choosing a company with a product or service with intrinsic social value. They are most interested in promoting their social goals. An example of an activist is Seventh Generation, a Vermont-based B Corporation that provides plant based products for homes and families. The company discloses all the ingredients in its products and challenges other companies on potential hidden ingredients. The company publishes Corporate Consciousness Reports and states on its website, "As a mission-driven company, we have set a course for a more mindful way of doing business. Our Corporate Consciousness Reports deliver sustainability performance reviews and examine the progress we've made toward our ambitious 2020 Roadmap goals, working to Nurture Nature, Enhance Health, Transform Commerce, and Build Community." (Corporate Consciousness).

- **Change Agents:** Despite a strong interests in influencing society, this group is not explicit with customers or shareholders about their intentions to create social value. They consider the balance between social responsibility and financial objectives to be equal or on social goals. However, they sometimes act under the radar, selective as to when to make their actions explicit. This group is most likely to create social value by either making philanthropic donations from company profits or by making matching philanthropic donations. An example of this is Pests at Rest, a pest control company that uses child-safe, pet-friendly and environmentally responsible ways to eliminate pests. Pests at Rest provides pest control services for private and nonprofit agencies and serves as an apprenticeship for job trainees of its nonprofit parent company, The Doe Fund. The Doe Fund's Ready, Willing and Able Program helps formerly homeless and incarcerated people who are United States veterans obtain work training, skills building and other essential services. (Social Impact).

- **Market Pioneers:** This group emphasizes financial goals and are always explicit with customers about their social goals. This group evaluates social impact and uses facts and figures to report on impact and talk about influencing social or industrial systems, problems or markets. This group is most likely to create social value by encouraging pro-social management, and providing a product or service with social value. An example of this is Amplify, a company using technology to empower teachers to offer more personalized instruction and accelerate the learning process. Amplify provides assessment and analytics for data-driven instruction and next-generation digital curriculum based on the Common Core State Standard Initiatives. Amplify attempts to remove the paperwork from the process of teaching so that teachers can devote more time to teaching. Amplify management views the social value of its technology as a means to provide continuous real-time improvement in schools' performance. (Amplify)
- **Market Influencers:** This group is also financially driven, like Market Pioneers, but they are not always as explicit with customers about their social objectives. They create social missions that are active within the company and with peers and in their communities. They are most likely to create social value by using internal operations as the primary vehicle, for example by encouraging pro-social hiring, or encouraging pro-social location, perhaps locating in an inner city to create opportunity for residents of the community. An example of this is City Fresh Foods, established in ethnically diverse and lower income Roxbury, MA, whose mission to make the community healthier by delivering fresh, wholesome meals to organizations throughout the Boston area, by

educating and advocating for more nutritious food choices, and by building sustainable careers for their dedicated staff and local growers (City).

E. Green Tech Start-Ups

Each CEO type was present in each of the industries that were examined. When asked in which area their companies wanted to create social value, the most popular was improving the environment. As mentioned earlier, one area where entrepreneurs have been particularly successful in bringing to market start-up companies that are socially responsible is in the area of green technology.

In his book, The Plot to Save the Planet, Brian Dumaine states that record amounts of venture capital are flowing into green tech. He writes about the viewpoints of Stephan Dolezalek, leader of Vantage Point's Clean Tech Group, a Silicon Valley veteran who has successfully invested in numerous high tech and bio-tech firms and his partner, Bill Green, "Dolezalek and Green are convinced that the green-tech market is moving in the right direction and will someday be a huge generator of wealth. They see the creation of high-end jobs as engineers, software designers and marketing experts launch green start-ups" (Dumaine, 28).

Choose Energy, a green start-up, allows consumers and small businesses to shop for energy plans based on a variety of factors, including how green their providers are. Jerry Dyess, Chief Commerce Officer states, "About 40% of our customers choose wind power. A lot of people think it's more expensive, but in most cases, you can save money by switching to 100 percent green product." (Weintraub). Choose Energy started in 2008, with the mission to simplify shopping for the best electricity and natural gas rates, plan terms and renewable energy options.

Today, Choose Energy manages over a billion dollars in energy bills while saving millions of dollars for the people and businesses it serves (About).

Another green start-up, NuMat Technologies, designs and builds systems that displace the need to highly compress gases. Storage of natural gas is challenging, and many experts believe it is a major deterrent for widespread adoption of clean energy solutions. NuMat Technologies has developed porous materials that can be used to line natural gas tanks. Omar Farha, NuMat's Chief Science Office states, "What these materials allow you to do is store natural gases at much lower pressures. That makes the tanks cheaper and safer" (Weintraub). The design flexibility will allow for cost-advantaged production economics in the healthcare, industrial technology, and energy sectors.

F. Microenterprises

An additional area of business that deserves mention in the world of start-ups is the microentrepreneur. Microenterprise is a small business that employs a small number of employees, usually fewer than 10, and is started with a small amount of capital. Most microenterprises specialize in providing goods or services for their local areas. Globally, microenterprises serve a vital role in improving the quality of life for people in developing countries. Microfinance seeks to help microenterprises by loaning small amounts of capital to these businesses. This allows poor individuals or families to start their own businesses, earn income and benefit their communities. Domestically, microentrepreneurs can embrace social responsibility in several ways. They can finance their businesses by using ethical investment funds and sustainable banks. They can make donation of cash or product to local organizations. They can purchase supplies locally in support of the community. For example, Green Carts are mobile food carts of fruits and vegetables that serve low-income neighborhoods in New York City where fresh produce is not available. Green Carts creates entrepreneurial opportunities and is economically viable. Eighty percent of Green Cart vendors consider themselves “very profitable” or “somewhat profitable,” and fifty percent of vendors have been vending more than two years. Seventy-five percent of vendors believe their experience running a Green Cart will help them open a larger business. At least eighty-eight percent of the vendors are foreign-born, with Bangladesh, the Dominican Republic and Mexico being the most frequent countries of birth. (Fuchs).

Chapter 9: Public Policy and CSR

One final area that deserves mention is the relationship between CSR and public policy. The CSR impact in public policy dialogue, advocacy and institution building can be defined as "efforts by companies, either on an individual or collective basis, to account for their interactions with government, and where relevant, to participate in public policy dialogues and advocacy platforms and to help governments build public capacity, strengthen institutions and deliver public goods" (Nelson).

As companies expand the role of CSR in their businesses, the relationship between these initiatives and local, national and global public policy frameworks and governments give rise to new issues that need to be addressed. According to Jane Nelson of Harvard University, "As in other aspects of corporate responsibility, compliance with the law and efforts to be accountable and transparent and to 'do no harm" should be the starting point for leading companies. At the same time, as the public problems faced by individual nations and by the international community become increasingly complex and intractable and pose ever greater risks and opportunities for business, there will be a growing need not only for product and process innovation on the part of companies, but also for institutional and policy innovation on the part of governments, non-governmental organizations ant the private sector." (Nelson). Business leaders will have to increasingly concern themselves with issues of public good that impact their business risks and opportunities that affect the success, security and sustainability of the communities and countries where they are operating. The ability to identify, prioritize and create strategies to address these issues of the public good will be a sign of good leadership and enhance the ability of the company to be competitive, productive and profitable.

Where to draw the line on the responsibilities of business for the public good are blurry. On the surface many including Clive Crook writing for *The Economist* states, "The proper guardians of the public interest are governments" (The Good Company). He goes on to conclude, "That the business of business is business. No apology required." In a perfect world this would be true, however, governments often fail to do this, especially when public problems are complex and long-term. In looking at human rights abuses, if governments exercised their obligations in this area, there would need to be no intervention beyond the government practices. However, this is not the case and it has become increasingly the role of corporations to address this issue. The role played by corporations becomes more difficult to define with trans-border issues such as global climate change, health epidemics, immigration, regional conflict, money laundering and political challenges. There has been a growing recognition that the private sector needs to engage and contribute to the discussion in these public policy areas. McKinsey and Company wrote, "Business leaders must become involved in sociopolitical debate not only because their companies have so much to add but also because they have a strategic interest in doing so." (Bonini).

Even in cases where the government is responsive and serves the needs of their people, companies are experimenting more in the delivering for the public good and how they can play a role in shaping public policy so that it supports their existing business models and future innovation. They need to understand the governance and institutional framework that exists in the countries where they are operating and engage them in a way that supports the common good and their business requirements in an accountable way.

With governments that are repressive, corrupt and not accountable to citizens, companies must decide the best way to handle business operations. Many countries with abundant natural resources are in repressive regimes. Businesses can remain or disinvest. If they remain, they can attempt to find locations within the country that have lower impact from the repressive regimes. If they disinvest, they have to consider the impact their leaving will have on the local communities. In addition, by disinvesting, they need to consider the opportunities given to countries with less pressure for maintaining the social good, such as China. Companies have tried to work with their host countries to put into place certain initiatives focused on improving public and corporate governance in these countries. For example, The Extractive Industry Transparency Initiative (EITI) is a global standard to promote open and accountable management of natural resources. It aims to strengthen government and company systems, inform public debate, and enhance trust. In each implementing country, it is supported by a coalition of governments, companies and civil society working together. (What Is EITI).

With governments that lack necessary institutional capacity and financial, human, or infrastructural resources to serve the needs of its citizens, companies can work with their host countries to help support these governments to strengthen the institutions needed to serve its citizens. They can help by building economic and financial institutions. For example, The Netherlands Financial Sector Development Corporation, a bilateral private sector development bank in The Hague, The Netherlands, was formed to stimulate the financial sector in developing countries, emerging markets and transition economies (Nelson).

With governments that are heavily influenced by special interest groups, or where there is a lack of political will to address environmental and social challenges, businesses can enter the picture by prioritizing strategic environmental, economic and social risks and advocating on their behalf. For example, the Investor Network on Climate Risk, a network of more than 110 institutional investors representing more than $13 trillion in assets, is committed to addressing the risks and seizing the opportunities resulting from climate change and other sustainability challenges (Investor).

The success of a business is intimately linked with good governance. Good governance supports economic growth. With the increasing presence of CSR as an integral part of the business model, companies will find themselves needing to play a more prominent role in framing governance and public policies of the countries that they are doing business in. In addition to supporting economic goals, companies are becoming more accountable to all stakeholders by addressing both social and environmental objectives. The actions demonstrating socially conscious behavior strengthen the leadership role played by business in the area of public policy.

Chapter 10: Conclusion

The inclusion of Corporate Social Responsibility, or what I would prefer to call Positive Impact Business Social Engagement in start-ups as well as corporate enterprises, is a vital component to the success of a business. Although the scale and method of participation in social responsibility programs may differ between the two, its presence is crucial. Many young entrepreneurs want what they are doing to have a personal as well as economic purpose and are passionately giving social responsibility relevance at the inception of their businesses. Michael Porter's idea that shared value will produce economic success is becoming more and more apparent as companies focus more on social responsibility. Companies need to be accountable in the area of social responsibility at all levels of business in order to unite our global society by generating economic value in a way that also generates value for society.

Lastly, I would like to relate my thoughts on this very personal topic, and how I think about it as I approached the various choices that I have made in my own start-up business, Wundershirt, an energy enhancing shirt made from nanofabric. I chose to make a shirt using fabric manufactured in the U.S. and have had the shirt assembled at factory in North Carolina. The factory I chose was opened in 2009 in a former textile mill that had closed down when most apparel manufacturing in North Carolina had moved overseas. This small business has helped revitalize the tiny town of Mt. Gilead, NC. Although I initially looked at the possibility to produce overseas at a lower cost, I felt it was more important for my product to be produced and manufactured in the United States than to have the cost savings overseas manufacturing provided. I also hope to benefit from the closer relationship a small local manufacturer can provide and the marketing benefits of a product "made in the USA." My choices as an entrepreneur and small business owner have been guided by what I have learned over the past four years at The Whitman School of Syracuse University and in particular in the entrepreneurship program. I have had the opportunity to go to a school that has empowered me to develop a start-up business while at the same time taught me the value of social responsibility and my role as a global citizen.

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