

St. Catherine University

SOPHIA

Master of Arts in Organizational Leadership
Theses

Organizational Leadership

5-2014

Creating Economic and Social Impact: Leadership Decision-making in the Context of Shared Value

Nicole Hines
St. Catherine University

Follow this and additional works at: https://sophia.stkate.edu/maol_theses

Recommended Citation

Hines, Nicole. (2014). Creating Economic and Social Impact: Leadership Decision-making in the Context of Shared Value. Retrieved from Sophia, the St. Catherine University repository website:
https://sophia.stkate.edu/maol_theses/23

This Thesis is brought to you for free and open access by the Organizational Leadership at SOPHIA. It has been accepted for inclusion in Master of Arts in Organizational Leadership Theses by an authorized administrator of SOPHIA. For more information, please contact amshaw@stkate.edu.

**Creating Economic and Social Impact:
Leadership Decision-making in the Context of Shared Value**

By
Nicki Hines

A Thesis Submitted in Partial Fulfillment of the
Requirements for the Degree of
Master of Arts in Organizational Leadership

**St. Catherine University
St. Paul, Minnesota**

May 2014

Research Advisor: Professor Rebecca Hawthorne, PhD

Research Reading Committee:
Diane Nettifee
Scott Cole

Date

Signature of Advisor



ST. CATHERINE UNIVERSITY
.....
School of Business
and Professional Studies

Master of Arts in Organizational Leadership

© Copyright by Nicki Hines, 2014

TABLE OF CONTENTS

	Page
Abstract	3
Purpose of the Proposed Research	4
Analysis of the Conceptual Context	6
Social Enterprise and Social Entrepreneurship	7
Corporate Social Responsibility.....	10
Shared Value	13
Benefit Corporations	17
Research Question and Methodology	18
Interviews.....	19
Literature Review.....	22
Results and Discussion of Findings.	23
Company and Interviewee Background and Detail	23
Interview Subject Areas.....	25
Findings.....	27
Additional Themes	46
The Evolution of Shared Value.....	49
Summary and Recommendations	51
Conclusion.	55
References	57
Appendices.	60
A: Tables and Figures.....	60
B: Research Instruments.....	62

Abstract

The boundaries between for-profit and non-profit organizations are less distinct now than in the past. Today, many non-profit organizations include revenue-generating and other business strategies in their operations. At the same time, many for-profit companies include a focus on social impact as part of their business goals. From this blurring of boundaries has emerged the concept of shared value, a practice that aims to create both economic and social impact. Through a literature review and analysis of interviews with six industry leaders and two subject matter experts, this study identifies how leaders define, demonstrate, and engage in shared value; the tensions they face in this context; and, the factors that guide their decision-making. This study also describes the ways in which the conversation about economic and social impact is changing, and provides recommendations for business, leadership programs, and future scholarship.

Purpose of the Proposed Research

I have spent my career working for non-profit organizations, places where commitment to a social mission and making the world a better place were at the core of the work. My parents, engaged in the civil rights movements of the 1960s and 70s, were examples for me early on as to the importance of working for social change.

As I have matured in my profession and in my own personal views, I have begun to re-examine my belief that working for a non-profit organization is the primary way to do good in the world. Sure, an organization that feeds the hungry is a good thing, but what about an organization that develops medical devices such as pacemakers and diabetic insulin pumps? Those products save lives, just as food in an empty stomach does, and one could argue that the latter organization is similarly beneficial to society even if it is organized for the core purpose of making money for shareholders.

My evolving thoughts regarding the role of non-profit and for-profit organizations in “doing good” have surely been influenced by dramatic changes taking place in these two sectors in the last decade or so. The line between non-profit and for-profit is blurring as non-profit organizations add revenue-generating and other business strategies to advance their social missions, and for-profit organizations strategically align business goals and operations with their philanthropic and social responsibility programs.

This significant re-orientation of how both sectors do business, along with my own growing awareness of the potential for for-profit organizations to advance social good, has caused me to wonder about the role of for-profit companies as a catalyst for social change. How do companies operate in the space of social good? What is the impact of harnessing the power,

success, and leverage of for-profit companies toward a positive social end? Imagine the equivalent in social outcomes of a two million dollar quarterly earnings statement.

Given my interest in working for social good, I am personally motivated to find the most effective and impactful way to achieve social change. The emerging concept of shared value, “creating economic value in a way that *also* creates value for society” (Porter & Kramer, 2011, p. 64, italics in original), presents a new and potentially transformative way to do that. I am excited and inspired to learn more.

However, even as for-profit companies embrace the so-called double bottom line of people and profit (and the triple bottom line of people, planet, and profit), the fact remains that they are structured for the purposes of making money for shareholders. Sud, VanSandt and Baugous (2009) believe that in the U.S. capitalist system, profit will always win out. They are in favor of the double and triple bottom line concept, but note, “until we acknowledge that only one of those lines – monetary profit – *really* matters to a large majority of decision makers, our calls for more social justice will remain largely unanswered” (p. 210, italics in original).

The purpose of my research is to learn more about those businesses that engage in the concept of shared value. Specifically, how do business leaders make decisions in the context of shared value? I want to learn how they define and operationalize their commitment to both economic and social impact. How do business leaders make decisions in the context of shared value even as they work in a structure, and larger culture, which often places a higher value on economic good?

With my research I aim to contribute new knowledge with regard to the principles that guide decision-making within shared value and how for-profit leaders navigate potential social/economic tensions. As I will demonstrate in my analysis of the conceptual context, the

distinctive features of for-profit and non-profit organizations are becoming fuzzy, and there is no indication that they will become less so in the near future. The language of shared value, triple bottom line, social enterprise, corporate social responsibility and the like are with us to stay. My goal is to better understand how business leaders operate in this shared space to be both economically sustainable and socially impactful.

Analysis of the Conceptual Context

Considering that the purpose of my research is to explore the way that businesses create shared value, it is important to define shared value and to understand the environment in which shared value has emerged. As previously stated, shared value is the concept of creating economic value while also creating social value (Porter & Kramer, 2011). Economic value has traditionally been reserved to the for-profit sector, and social value has traditionally been reserved to the non-profit sector; shared value is bringing these concepts, and these two sectors, closer together.

Two additional ideas are important for understanding the context out of which shared value has emerged. The first concept, social enterprise, applies revenue-generating practices to the traditional non-profit model. This adds economic value to social value, and thus moves toward the concept of shared value. The second concept, corporate social responsibility, begins in the for-profit sector and is the idea that corporations have some level of responsibility for social good. This adds social value to economic value, and thus moves toward the concept of shared value.

In this section, I further define social enterprise and related concepts and describe its relatively recent growth. I then review the history of corporate social responsibility and its growing importance. I show how both of these concepts and related ideas are contributing to the

“blurring” of for-profit and non-profit organizations. By blurring I mean that today there is less of a clear distinction between for-profit and non-profit organizations; where for-profit organizations once focused only on economic value and non-profit organizations focused only on social value, now many for-profit and non-profit organizations alike are considering both economic and social value. I then describe in further detail the concept of shared value, a concept that has emerged from this blurring of economic and social value. To close, I briefly describe the Benefit Corporation, a corporate status that provides a legal structure for a business to equally focus on economic and social value.

Social Enterprise and Social Entrepreneurship

Loosely defined, social entrepreneurship is the intersection of business and social good. It is the practice of applying a business mindset to solve a social problem, thus it is related to shared value in that it is bringing economic value into the non-profit sector, which has traditionally been focused on social value.

A universally accepted definition of social entrepreneurship is hard to find: social enterprise, social entrepreneurship, and social entrepreneur are all used in different ways. J. Gregory Dees (2001), director of the Center for Advancement of Social Entrepreneurship at Duke University, defines the term social entrepreneur by looking at the root meaning of *entrepreneur*. Dees paraphrases the early economists Jean Batiste Say and Joseph Schumpeter who define entrepreneurs as individuals who create value, they “reform or revolutionize the patterns of production” (p. 1) and do things in a different way to create value. Dees (2001) points out that current theorists Peter Drucker and Howard Stevenson have contributed to the definition of entrepreneur: Drucker adds that entrepreneurs look for change and then use the opportunities

that come with it, and Stevenson adds the idea that entrepreneurs are not limited by their resources but stretch beyond what they have and use other people's resources to achieve their goal. Dees' definition of social entrepreneur is based on these four theorists. He says social entrepreneurs are entrepreneurs with a social mission, they are people who make change in the social sector and stay focused on mission, identify new opportunities, engage in continuous learning, reach beyond their existing resources, and stay accountable to stakeholders (p. 4).

Social entrepreneurs can play a key role in creating shared value. These innovators tend to think beyond narrowly defined business models and instead identify economically sustainable opportunities that also advance social good. Using revenue-generating strategies, they can often scale up more quickly than the traditional donor-dependent non-profit organization (Porter & Kramer, 2011).

It is commonly thought that anything new with a social end is a social enterprise; however, the distinctive element of social enterprise is the creation of revenue (Boschee, 2001). The Institute for Social Entrepreneurs defines social enterprise as "any organization, in any sector, that uses earned income strategies to pursue a double or triple bottom line, either alone...or as part of a mixed revenue stream that includes charitable contributions and public sector subsidies" (Boschee, n.d., http://socialent.org/Social_Enterprise_Terminology.htm). This is a broad definition and encompasses many organizations, non-profit, for-profit or a mix of both. According to this definition, social enterprise can originate from either end of the non-profit/for-profit continuum.

Social enterprise has taken hold worldwide with many focused on and originating in developing countries. Bornstein and Davis (2010) describe the ways in which demographic, social, and technological changes are intersecting with grassroots organizations and movements

focused on addressing problems. The growth of technology and a global media, improvements in healthcare and education, and the fall of authoritarian governments throughout the world over the last 40 years have created a better educated, connected, healthier, and wealthier active citizenry. At the same time, population movements from rural to urban areas are highlighting economic inequalities and creating new problems never seen before. As the authors summarize, “Historical changes have produced urgent and complex problems while simultaneously augmenting the capacity of people around the world to address those problems” (p. 12).

In addition to historical forces and changes worldwide leading to a growth of social entrepreneurial activity, the attitude toward how to approach individuals in need of help has changed and is also supporting this growth. This has in large part been aided by the success of micro-finance, begun in the mid-1970s by Muhammad Yunus in Bangladesh. Micro-finance challenged the common belief that people who are poor cannot be viable customers capable of paying back debt. By considering the context and structuring loans differently (smaller loan amounts, lower-interest rates, and an alternative accountability structure, for example), micro-finance has proven to be a sustainable and profitable venture that provides loans to millions of people living in poverty throughout the world. Today, Grameen Bank, just as one example, serves the poor throughout Bangladesh, and 97% of its 8 million borrowers are women (Yunus, 2010).

Another significant contributor to changing how people view those who receive charity is C.K. Prahalad and his concept of the bottom of the pyramid. Prahalad (2005) advocates for changing the typical approach to helping the world’s four billion people who are poor. Rather than seeing them as needing aid and charity, why not partner with them to innovate and co-create solutions to their problems and, at the same time, create a profitable market opportunity? While

individually people who are poor have little economic power, as a group of billions they represent significant opportunity.

Both Yunus and Prahalad propose addressing issues of poverty through a business rather than a charitable approach. They take a business mindset and apply it to a social problem. Referring back to the definition of social entrepreneurs, Yunus and Prahalad see opportunity in what is a social problem. They propose to “reform the patterns of production” and use resources in a different way to create different value. With the perspective that people who are poor are prospective customers in need of particular services and products, they are creating economic value as well as social value.

Through these examples we begin to see the blurring of boundaries between economic impact and social impact. We begin to see how social and economic are not mutually exclusive, and we see movement toward the idea of shared value.

Corporate Social Responsibility

Whereas social entrepreneurship begins with a social mission and incorporates business, corporate social responsibility originates from the business side and incorporates a social purpose. Corporate social responsibility (CSR) relates to shared value in that it suggests that businesses are obliged to create social value as well as economic.

The idea that corporations have a responsibility to society has existed for centuries, but focused study on the topic began more recently. In the 1950s the modern day concept of CSR was born, raising the idea that a corporation had some level of obligation to make decisions and act in ways that were aligned with the values of society (Carroll, 2006). More writings, ideas and definitions of CSR came in the 1970s, and in the 1980s alternative themes and terms

emerged, such as corporate social responsiveness, corporate social performance, public policy, and business ethics (Carroll, 2006).

Benn and Bolton (2011) describe how in the beginning of CSR in the 1960s companies were aware of their social responsibility but it was not connected to the business. In the following decades companies sought to align it with their business, academics took an interest in the topic, and a business case for CSR was developed. The corporate scandals of the 2000s heightened the conversation around CSR, and particularly business ethics, with many companies taking voluntary action to change their image. This historical perspective shows how the ideas around CSR have shifted from Milton Friedman in 1962 saying the sole purpose of the company is to create profits for shareholders to current practitioners saying that too much focus on profits is bad business (Benn & Bolton, 2011, p. 9-10).

Companies today seek to more closely align their giving strategies, philanthropic funding, and non-profit partnerships with the goals, mission, and values of their business (Lilly Family School, 2013). In determining whether or not to partner with a particular non-profit organization, companies now also take a much closer look at the non-profit's effectiveness or efficiency in producing results (Lilly Family School, 2013).

This focus on impact is another example of the non-profit/for-profit blurring. As a business mindset is applied to social problems there is a greater emphasis on results and outcomes. Porter and Kramer (1999) advocate that philanthropy take a more strategic approach to giving. They suggest that foundations leverage their resources and knowledge to create greater value and social impact rather than serving as simply a bridge between donors and social enterprise.

Another influence to this growing emphasis on impact, outcomes, and accountability are what Bishop (2013) terms “hyperagents” for change, i.e., successful businessmen who apply the same successful business strategies to social problems. Individuals such as Bill Gates, Michael Bloomberg, and Pierre Omidyar (founder of eBay) are examples. These individuals, through their foundations and giving entities, use their resources to encourage large scale and dramatic change in social areas, for example education and global health for the Gates Foundation, and micro-finance for the Omidyar Network. They represent *philanthrocapitalism*, and as Bishop (2013) states, “The defining feature of philanthrocapitalism...is its laser-like focus on impact” (p. 477).

The concept of corporate social responsibility, and the related ideas of strategic corporate and foundation giving programs and *philanthrocapitalism*, continue to demonstrate the blurring of the for-profit and non-profit sectors. These ideas start from the for-profit end of the continuum and move toward social impact; they move toward the idea of shared value.

As businesses and business leaders move down the continuum into what has traditionally been the domain of non-profits, they are changing the conversation and also the context in which social impact can be made. The triple bottom line, indicating an equal focus on people, planet and profit, is a popular concept among many companies (“Triple Bottom Line,” 2009). However, what this means in each company, how the triple bottom line is demonstrated, and particularly how it is measured, are at best imprecise science. While it is generally assumed that there is a business case for CSR, identifying its financial impact is elusive (Benn & Bolton, 2011). Several studies have tried to measure the true financial impact of CSR on a company, and while showing some definitive results, researchers still say that the premise of these studies are essentially faulty because they address the economic needs but “sidesteps the underlying tensions between the

social and economic imperatives that confront organizations.” Essentially, we have yet to create a reliable way to measure, and effectively acknowledge, both social and economic value (“Triple Bottom Line,” 2009). Researchers point to a need for a “new normative theory” (Benn & Bolton, 2011, p. 10). Perhaps the concept of shared value, further described below, can contribute to this new normative theory.

Shared Value

In 2011, Michael Porter and Mark Kramer published the article *Creating Shared Value*. In it, the authors propose that it is time for businesses to think differently about value creation and to bring business and society back together. They believe a rejection of narrow-minded thinking and either/or trade-offs between economic and social value will ultimately transform capitalism and lead to innovation and growth. Porter and Kramer advocate for the principle of shared value, “which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. ...[I]t is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success” (p. 64, italics in original). The authors identify and give examples of three distinct ways to create shared value: (1) reconceive products and markets (among other things, circling back to Prahalad’s (2005) concept of the bottom of the pyramid); (2) redefine productivity in the value chain (including use of natural and human resources); and (3) build supportive industry clusters at the company’s locations (improving conditions in the location in which the company operates) (p. 67).

A concrete example of “reconceiving products and markets” is the development of Maggi Masala-ae-Magic, a brand of spices developed by Nestlé for low-income consumers in India. With a focus on malnutrition, Nestlé studied the nutritional deficiencies in the country and

learned that 70% of children under the age of three and 57% of women suffered from anemia. Further research revealed the opportunity to develop a brand of micronutrient-reinforced spice products that would be a viable product as well as provide people with critical micronutrients including iron, vitamin A, and iodine (Pfitzer, Bockstette & Stamp, 2013, p. 103). The product not only created economic value for the company, but addressed a greater social need as well.

A second way to create shared value is through the “value chain” and reconsidering how a company uses its resources. This can include the natural resources used in making and transporting products, and human resources such as employees and vendors. For example, increased environmental concerns have led both Coca-Cola and Dow Chemical to implement practices that reduce their fresh water consumption (Porter & Kramer, 2011). Employee wellness programs are another example of companies realizing that a strong, healthy, and satisfied workforce creates long-term economic value (more productive and engaged employees) as well as value for the larger society.

Finally, the success of the community in which a company operates ultimately impacts the success of the company. For example, a poor education system will decrease the available workforce and poor infrastructure will increase the cost of transporting products. Remediating these problems has both economic and social benefit. Norwegian-based Yara, the world’s largest mineral fertilizer company, has invested \$60 million to improve ports and roads in eastern Africa to help small farmers access agricultural supplies and more efficiently transport their crops to markets (Porter & Kramer, 2011). Clearly, this is of economic benefit to Yara, but also provides a social benefit to many in the community.

These examples demonstrate how companies can achieve both economic and social progress within their daily operations. Rather than address them as separate goals or activities,

economic and social can be integrated, at which point the conversation broadens from either/or to *how to achieve both*. With creative thinking, the opportunities are endless. Porter and Kramer provide evidence that companies have great capacity to be catalysts for social good in the course of their business operations: “Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face” (p. 64).

Consider, for example, a large retail company that pays its nightly cleaning crew less than a living wage. While the company counters that it cannot afford to pay them more, the company’s charitable foundation gives thousands of dollars annually to a local food shelf that some of the members of the cleaning crew must use in order to provide for their family. If the company were to approach the issue of pay for the workers from one of shared value, dollars would likely be used more efficiently, employees would likely be more satisfied, and the company would likely realize greater economic value in the long-term.

While Porter and Kramer propose that businesses intentionally create both economic and social value, Emerson (2003) believes that businesses naturally create both; however, the either/or culture that demands we chose either financial *or* social value limits the ability to assess the full value that they create. This is due to a narrow understanding of value and insufficient ways to measure. Emerson states:

What is required is a unifying framework that expands the definition of investment and return beyond the historic one of finance and toward a new definition capable of holding a broader understanding of value than that most frequently reflected in traditionally endorsed financial operating ratios. In truth, the core nature of investment and return is not a trade off between social and financial interest but rather the pursuit of an embedded value proposition composed of both. (p. 38)

In addition to advocating for this Blended Value Proposition, two things are needed: a new breed of managers and leaders who can operate within the tensions of the double bottom line, and improved social management and tracking systems (Emerson, 2003). These tie back to two concepts mentioned earlier: the role of social entrepreneurs in the blended context and the need for better ways to measure both social and economic return.

Another spin on the shared value idea is corporate social entrepreneurship (Austin, Leonard, Reficco & Wei-Skillern, 2006). Combining the concepts of CSR and social entrepreneurship, corporate social entrepreneurship (CSE) is defined as “a *process* for creating much more advanced and powerful forms of CSR” (p. 237, italics in original). This idea places the social entrepreneur within the corporate setting. The authors, like others (Porter & Kramer, 2011; Pfitzer et al., 2013; Dees, 2001), identify a particular mindset and particular processes that are needed to advance CSE. The mindset includes entrepreneurial thinking, a commitment to values, a broad definition of stakeholders, and the integration of both economic and social value. Processes include demonstrated commitment from leadership, creation of new and different relationships to achieve the dual (shared) value, and a way to demonstrate accountability (Austin et al., 2006).

While social entrepreneurship is related to shared value, Porter distinguishes the two, saying they are not the same (Driver, 2012). However, he does acknowledge the role of social entrepreneurs in creating shared value. As previously mentioned, it is often their unique mindset, unfettered from the traditional business paradigms, that can help identify and push for opportunities to create shared value within business (Porter & Kramer, 2011; Driver, 2012).

Benefit Corporations

As has been shown in the above discussion, there is a growing push for businesses to consider more than the financial bottom line in their operations. The Benefit Corporation provides the legal structure for that to occur. The Benefit Corporation (BC) is a new legal entity that broadens a corporation's goals beyond profit generation.

A corporation's obligation to serve the interests of the stockholders and maximize profits dates back to the 1919 Delaware court decision *Dodge v. Ford* (Hiller, 2012). While court decisions since that time have given business leaders more latitude with regard to the outcome of their decisions, profit maximization continues to be the primary goal under corporate law.

In addition to having a responsibility to return profits to shareholders, the BC is legally obligated to pursue a public benefit (Hiller, 2012). Examples of Benefit Corporations are the outdoor clothing and gear company Patagonia and Greyston Bakery in New York ("Find a Benefit Corp"). Currently, 20 states have made the BC legal, with 18 more preparing to propose legislation (Kennedy, 2014). Here in Minnesota, there is a movement underway to introduce the Minnesota Public Benefit Corporation Act to the state legislature (Lowe & Ochs, 2014).

Where the Benefit Corporation is a legal status given by the state, the BCorp is a certification that any company can voluntarily seek and is given by the nonprofit organization B Lab ("Benefit Corp vs. Certified B Corp"). A business that chooses to be certified as a BCorp commits to having a positive impact on society and the environment, and higher standards of accountability and transparency (www.bcorporation.net). While the Benefit Corporation movement evolved from B Lab, which continues to advocate for adoption of the Benefit Corporation across the country, the two are independent (Hiller, 2012). According to B Lab, there are three BCorps in Minnesota: the databank, inc, which provides software for non-profit

companies, CR-BPS, which provides energy efficiency services, and Sunrise Banks (www.bcorporation.net).

The Benefit Corporation is a legal entity that supports the theoretical concept of shared value. It creates a structure that explicitly brings together social and economic domains and is thus a concrete example of the blurring of the boundaries between for-profit and non-profit organizations I have discussed previously.

This analysis of the conceptual context demonstrates the many ways that the boundaries between non-profit and for-profit organizations are blurring, and also describes how practices from each sector inform the other. The figures on page 61 present a visual of this context, showing what has been the traditional emphasis of for-profit and non-profit organizations (Figure 1) and the result of this blurring of boundaries (Figure 2). The ideas explored here (including social enterprise, corporate social responsibility, bottom of the pyramid, BCorps, and philanthrocapitalism) circle around a new way to create both economic and social good. From these ideas has emerged a movement that advocates for, embraces, and supports the ability for a business to create both social and economic impact, to create shared value. My proposed research will contribute to the topic and concept of shared value and explore how business leaders think about, engage in, and create shared value.

Research Question and Methodology

My research question is how do leaders of companies that aim to create both economic and social value make decisions? What principles guide their decision-making as they strive to make both economic and social impact? To answer this question, I used the following strategies.

Interviews

Industry leader interviews.

In order to understand how leaders make business decisions in the context of shared value, I interviewed two leaders from each of three Twin Cities-based for-profit businesses that have an expressed commitment to creating shared value. To define shared value, I drew upon the work of Porter and Kramer (2011), i.e. a process “which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges” (p. 64). I defined an “expressed commitment” as a public acknowledgement that the business focuses on both economic and social value.

The definition of social value, or even an agreement on society’s “needs and challenges,” can be broad and problematic. Like the process of *measuring* social value, *defining* social value is open to interpretation. For the purposes of my research, I defined society’s “needs and challenges” as those related to people and planet, conditions and contexts that hinder or inhibit overall health and wellness of people and the environment. I also used Porter and Kramer’s (2011) three examples as to how companies can create shared value (previously mentioned in the conceptual context): 1) through products and the market they serve, 2) redefining operations in the value chain, and 3) improving conditions in locations where the company operates. Companies that considered the social impact of their actions in these areas met my definition of “creating shared value.”

I planned to focus my research on companies that have between 100 and 500 employees so that I would be able to get a comprehensive, consistent, and authentic picture of shared value across the company. I expected that companies within this parameter would have examples that demonstrate shared value decision-making in practice, but would not be so large and complex

such that I would have limited access to company leaders. The ability to create shared value is not limited to one type of business, thus I did not limit my selection to any particular industry.

I identified companies for my interview sample through personal and professional networks. I asked subject matter experts, contacts in the field of social enterprise, and I queried personal contacts via social media. I also looked for companies through my literature review and other readings. This yielded about 20 suggestions. My plan was to identify a minimum of six companies that fit the parameters of my research group, and then randomly select three for participation in my study.

The three companies that I ultimately identified and included in my study broadly fit my parameters. One company has approximately 600 employees, so slightly larger than what I had planned; however, I was able to speak with senior leaders (the president and director of organization development) and it fit my other research parameters.

With regard to selection, I quickly eliminated many suggestions because they were either too large or small (typically too small) or they were non-profit organizations. Of those that remained, I reviewed company websites to search for an “expressed commitment.” What I discovered was that while many had some level of expressed commitment (most common was the donation of profits to community organizations, thus “improving conditions in locations where the company operates”), some had what I describe as a greater level of commitment as evidenced by more public examples. This led me to change my selection methodology: rather than identify six companies that had some level of commitment to shared value and randomly select from that group, I identified three that had numerous examples of commitment (thus a deeper commitment) and requested their participation in my research. Fortunately, the “top” three all agreed to participate.

I initially contacted the president or CEO of each company by email. I explained my research question, and requested a 45-minute, semi-structured interview. I also asked if each of them could identify one to two other members of their leadership team whom I could interview. In the end, I interviewed two leaders from each of the three companies for a total of six industry leader interviews.

Expert Interviews.

In addition to business leaders, I interviewed two subject matter experts in the area of shared value by virtue of their publications and consulting work. I identified these individuals while reviewing the literature and preparing my thesis proposal. These interviews provided a context in which I could examine the findings from my industry leader interviews.

I audio recorded all interviews and took minimal notes during the interviews in order to better facilitate the conversation. Immediately following each interview I wrote down key ideas. I kept observer comments and memos throughout my research period to record thoughts and ideas along the way.

I personally transcribed all of my interviews and that allowed me to become very familiar with my data as I listened and repeated the interviews into a dictation software program. Becoming familiar with the data is the first step in the five-step Framework Approach for data analysis that I used (Adams, Khan, Raeside & White, 2007). Once the interviews were transcribed, I created an excel document with the key themes that emerged from the interviews. I then coded the comments that related to those themes, charted them on the excel document, and reviewed the data in order to interpret and draw conclusions. The second source that I consulted for data analysis reinforced these steps for analyzing transcribed interviews. I highlighted

significant statements, defined categories, and spaced out my interview transcription and analysis so as not to become dulled to the information (Gillham, 2000).

The goal of my analysis was to understand how shared value is lived out in practice – how industry leaders define it, implement it, and how it impacts decision-making. Both groups of people that I interviewed, the industry leaders and the experts, contributed to that understanding, but from different perspectives. From the industry leaders my goal was to learn how shared value is lived out day-to-day in a company. The industry leaders overall were not familiar with the term shared value, however, they were all engaged in doing it on some level. From the experts my goal was to understand how the company and leader experience that I was learning about fit within the broader context based on their knowledge and experience. I also wanted to learn from the experts their perspective on what was contributing to the growth of shared value and the blurring of the boundaries between nonprofit and for-profit organizations.

Literature Review

The second research strategy I used for my study was to review the existing literature on the topic of shared value and business decision-making in order to provide an additional context and framework in which to evaluate my research findings.

Methodology Summary

Given that I am interested in how business leaders make decisions, it was essential for my research that I speak directly with those who are in the position to make decisions. The industry leader interviews were the core of my research study, and the subject matter expert interviews provided a meaningful context in which I analyzed and evaluated my findings. My interview subjects also brought up ideas, authors, thought leaders, and organizations that I researched and

that contributed to my findings. Through my research methods I uncovered rich, thoughtful, and engaging ideas, all of which contributed to strong findings.

Results and Discussion of Findings

Company and interviewee background and detail

The companies selected for my research represented three different industries/services: finance, manufacturing, and wholesale distribution. The finance company has 185 employees, the manufacturing company has 155 employees, and the wholesale distributor has approximately 600 employees. All three companies are based in the Twin Cities metro area.

Through initial website research on each company I identified an “expressed commitment” to both economic and social impact. The commitments were different with each company, but all can be categorized in the three examples identified by Porter and Kramer (2011). The finance company states on their website: “All of the business lines are not only held to financial sustainability goals, but also demonstrate progress in achieving positive social impact.” This company’s products are designed for a primarily low-to moderate-income market, the company is highly involved in the community, and annually donates a minimum of 2% of net income to charitable organizations. These practices align with two of Porter & Kramer’s examples: reconceiving products and markets, and improving conditions in locations where the company operates.

The manufacturing company articulates its philosophy and direction statement on its website. The direction statement identifies five groups that the company says are fundamental to its success: coworkers, customers, shareholders, suppliers, and the community. The website

states a deep commitment to their human resources and describes a time in the past where profits were allowed to go to zero and all employees earning above the target wage endured reduction in pay in order to prevent layoffs. In addition, the company annually donates 10% of pretax profits to charitable organizations. These practices align with two of Porter & Kramer's examples: redefine productivity in the value chain and improving conditions in locations where the company operates.

The wholesale distributor is also clear about its commitment to both economic and social impact, with the following quote from the founder on the homepage of its website: "I love the fact we have created a company that makes a positive difference in the world." The company's products contribute positively to social and environmental conditions; it has received awards for being an outstanding place to work, monitors its environmental impact, develops green supply chain initiatives, and has invested in environmental-friendly buildings; and annually donates 6% of after-tax profits to charitable causes. These practices align with all three of Porter & Kramer's examples: reconceiving products, redefine productivity in the value chain, and improving conditions in locations where the company operates.

With these publically expressed commitments, these companies fit each of my criteria for inclusion in my study.

Once identified, I emailed the chief executive at each company and requested an interview. I also asked if he/she could recommend a second leader at the company with whom I could speak. Over a period of three weeks I interviewed two leaders from each of the three companies. Due to a busy travel schedule, I was unable to interview the chief executive at the finance company; however, I did interview two other senior leaders.

The industry leaders I interviewed included presidents, chief executive officers (CEO), a chief operating officer (COO), a vice president of human resources, and a director of organization development. They were all part of the leadership team at their company and all involved in company decisions. Their tenure at the company ranged from 33 years at the top end to five at the low end. Tables 1 and 2 on page 60 summarize the company and leader characteristics described here.

In addition to industry leaders, I interviewed two individuals knowledgeable in the area of shared value. These subject matter experts both have extensive experience writing, researching, speaking, consulting, and advising in this area. While shared value is the term coined by Porter & Kramer, both experts had similar terms for expressing the same idea, and in fact both were personally familiar with Porter, Kramer, and their work. Given the relatively small sample of companies that I directly studied, these experts provided additional examples of shared value in action as well as the issues surrounding decision-making in that context. They also provided a broad framework and rich context in which I was able to make connections within my findings and reflect on the results.

Interview subject areas

The interview questions posed to industry leaders centered on five themes. These were:

1. *Definition and examples* of shared value
2. *Motivation* for beginning and sustaining the commitment to shared value
3. *Goals and metrics* for both financial and social impact
4. *Tensions* that arise from operating in a context of shared value
5. *Decision-making* and the principles and factors considered in the context of shared value

The interview questions posed to the subject matter experts focused on these same themes with the exception of motivation. In addition, I asked that they describe their work as it relates to the topic of shared value and asked them about change – the change they have seen in this area over time and their thoughts on what is contributing to the change.

Interviewing two leaders within each company proved beneficial for several reasons. First, the information gathered from the two leaders complemented each other and provided a more comprehensive picture of the company. For example, when asked for examples of shared value in practice, one leader would identify several and in the interview with the second leader, I would hear new examples. While all interviewees were members of the senior leadership team, each had a unique role in the company and had different areas of responsibility. That unique lens allowed different examples and perspective to be shared. Also, the personality of the leader influenced the information they shared. For example, when I asked one leader about metrics, he said, “Well, my Myers-Briggs type is, I’m a strong NP, so...not having a lot of J in me, I tend to avoid the things you’re talking about. But I have other people who do that.” Fortunately, the other leader who I interviewed at the company was able to give more detail in that area.

Second, the information I gathered from one leader was often reinforced by the other leader. When both leaders used similar terms in the way they described decision-making at the company, it was an indication to me that the practice was broader than just that one individual. Also, when each leader talked about the same situation as an example of a time when they had to make a decision that considered both social and economic impact, it indicated to me that this was a significant decision for the company. Talking with two leaders also gave me two sources for confirming basic information such as number of employees in the company and the make-up of the leadership team.

Findings from the five interview themes

I will describe the findings of my research by the five primary themes. I will use narrative and tables to describe my findings and will reflect on the findings with information gathered from the expert interviews.

Definition and examples

Having already acknowledged that I was researching their company because it was not only profitable but had also made an expressed commitment to having an impact on the greater good, I asked each industry leader to describe the commitment and how it translated into practice. Two of the five leaders who described it stated that it was a commitment inherited from the founders of the company. One leader described it as “a commitment that is lived and breathed every single day.” Another described it as “a commitment to the whole, which is the sustainability of the business but also sustainability to all of the stakeholders....it’s a commitment to creating a better world for us.” The fifth leader also mentioned stakeholders, talking about the importance of stakeholder relationships, and their commitment to having ethical and honest business interactions. My follow-up question asking for examples of the commitment in daily practice produced many concrete examples, some of which were similar across all three companies and some of which were unique.

All three companies demonstrate their commitment in the following ways:

Cash donations. Each company donates a percentage of profits to non-profit organizations in the community. The finance company gives a minimum of 2% of net income; the manufacturing company gives 10% of pre-tax profits; and the wholesale distributor gives 6% of after-tax profits. A leader from the wholesale distributor specifically talked about giving the funds to

organizations that align with their business; the other two companies did not describe in detail what type of organizations they support.

Service projects. Each company engages in service projects in the community, either team based or company-wide. The manufacturing company also has begun an annual international service trip to a developing country.

Employee wellbeing. All companies described a commitment to employee wellbeing. This was expressed in ways such as paying a livable (versus minimum) wage, providing resources for professional growth and development, being slow to fire, flexibility when personal situations arise, hiring to reflect the diverse community that is served, employee ownership in the company, and providing English-as-a-second language classes on site.

Mission-aligned relationships. All companies look to create relationships with vendors or suppliers with a similar perspective on business. These companies are explicit about their approach to business and look for others with similar values. Leaders at two of the three companies spoke of selecting a vendor on the basis of “mission alignment”, that is their desire to work with a vendor that not only could provide the business they needed but also had similar company values. One leader described taking that approach with all stakeholders and seeking transformational partnerships: “The transactional part is you do the work, you get the money, but if we can operate at a higher level than that and have some kind of transformation that comes out of it....”

Purpose, values, and mission. All leaders spoke of their companies’ purpose, values, and mission as an example of their commitment. These were all clearly defined for each company, and each spoke of stakeholders beyond the shareholder. Each leader talked about sharing these

documents in multiple ways throughout the company and said they typically guide their decision-making.

Mission reflected in performance evaluations. Each company addresses elements of the mission in employee evaluations. One leader described evaluations as “50% performance, 50% values.” Another leader said, “Our evaluation process...we talk about do you treat others as you want to be treated, do you respect teamwork, do you respect other people, and so forth.” The third company did not explicitly state that mission is part of performance evaluation. However, a leader there did describe the tension that arises when “mission decisions” have an impact on individual performance and goals, thus, there is a level of acknowledgement in the review process that those decisions may impact performance metrics.

Stakeholders. Each company considers multiple stakeholders in their business models. These include employees, suppliers, vendors, customers, shareholders, and the community. Each leader commented that shareholders are an important stakeholder, but they are not the only one.

The companies’ awareness of the importance of stakeholders aligns with a comment by one of my subject matter experts who said that a primary way that companies demonstrate shared value is by considering the impact on stakeholders. Another way to demonstrate shared value that he has seen in practice is by asking questions. Asking the question how will this decision impact the community? How will this action impact our co-workers? By simply asking questions, one brings in other perspectives that broaden the view beyond the shareholder.

A third example of shared value in action, referenced by this expert and literature (Porter & Kramer, 2011), is the building of facilities in locations that will benefit the community. He mentioned several Twin-Cities based companies that have put facilities in locations that “have lifted the well-being of the local community while at the same time advancing the economic

fortunes of the company.” These examples complement what the companies I studied are doing, and describe other ways to demonstrate shared value.

In addition to the common commitments of shared value described above, the following table lists company-specific examples.

Finance	Manufacturing	Wholesale distributor
<ul style="list-style-type: none"> • Target market is low-to - moderate income communities • Products structured to support the underserved • Voluntarily committed to third party certification of social impact • Member of an industry-affiliated organization focused on sustainable development • Two staff people dedicated to social responsibility focus 	<ul style="list-style-type: none"> • Annual international service trip • 50% employee stock ownership plan (ESOP) 	<ul style="list-style-type: none"> • Product is beneficial to society • Building has gold level LEED Certification • Four staff people dedicated to advocacy, community, and environment related work

An easy way for a company to demonstrate shared value is by having a product that is beneficial to society. Of the three companies I studied only one has a product that, as the leader described, “has the opportunity to solve so many of our problems.” However, it is clear from these three companies that regardless of the product, there are numerous ways to demonstrate and create shared value. Even when a company’s product may be questionable as to its positive social value, the way a company behaves can still demonstrate positive social impact. One of my experts suggested this when reflecting on an alcoholic beverage company that took a public stand on drinking alcohol in moderation. Their marketing message was ‘buy less of our product’ and the result was an increase in market share. Obviously, a socially beneficial product makes the practice of shared value easier, but is not required.

Motivation

When asked what motivated the company to have a commitment to both economic and social impact, all leaders referenced the founders of the company. For each company, the founders had a personal commitment to this work, and felt it was the right thing to do. While the charge initially came from the founders, all except one leader said that this dual commitment aligned with their own personal values as well. One commented that she was a child of the 1960s and so this fits with her personal values. Another reflected on her previous work at a company that did not have a commitment to shared value, and she would go home at the end of the day feeling empty. Another leader talked of his personal desire to propagate this work. These individual leaders were attracted and committed to the company because of this larger commitment to shared value.

The comments of these leaders reflect what they all saw as a key reason for sustaining the commitment: the benefits they realize in recruiting, hiring, and retaining employees. Each leader commented on the quality, dedication, and engagement that having a purpose toward and focus on shared value engendered in their employees. Commenting on the impact he saw from the companies newly built gold level LEED certified building, one leader said,

I was really impressed with how it began to have business implications, by the statement that we are making. We used to have 25 to 50 applicants per position and now we have about 100 per position. We're always trying to hire people with the potential for 'top talent'. For us it takes a minimum of 50 applicants to find that person, so our applicant quality has really jumped since that time. No longer do we have difficulty finding top talent in IT or accounting, that used to be the hardest positions for us to find.

Leadership at the other two companies echoed that sentiment, saying with the commitment to shared value employees feel engaged, they are loyal, and represent a talented, dedicated staff: “people want to be part of the mission.”

In addition to benefits related to employees, leaders described other benefits as follows. *Good for business.* All companies see the shared value commitment as good for business. Each company has received numerous awards and external recognition for their approach to business and as one leader commented, the company doesn’t do the work for the recognition, but it helps. Reflecting on the dual commitment, another leader said,

There’s nothing wrong with it, everything is right about it, and I see an economic return.

It’s hard to argue with that because my degree is in economics, so I get the hard proof in the balance sheet, the return on investment.

Leaders noted that they have strong relationships with vendors, suppliers, and customers. The same leader that noted a jump in quality applicants said, when commenting on the need for suppliers to drop customers at times, “...I started to hear that they would never drop us because of the way we honorably and respectfully treated them.” Thus, the benefits of the shared value commitment were manifest in ways that positively impacted the bottom line.

Wider involvement. Company leaders also noted that others became involved through their commitment. For example, when the manufacturing company sends employees on their annual international service trip, other companies contribute products and supplies that they bring along. The leader at the wholesale distributor noted that customers and suppliers are impressed and want to be part of their vision. Hence, shared value generates wider stakeholder engagement.

Personal balance. Leaders at two of the three companies commented that through their commitment to shared value, and with that their awareness of all stakeholders, that they are

better able to maintain personal balance. One leader commented that she appreciates the perspective that “the world is bigger than us”, that while her work is important, there is more to life than her work.

The benefit that comes with having a “bigger than us” vision is not only a personal benefit, but contributes toward a healthier corporate culture according to one of my subject matter experts. This scholar coined the term *teleopathy*, which he describes as a “goal sickness, driven-ness with respect to a very narrowly defined goal without the peripheral vision to see the wider social implications.” He further sub-defines this with the concepts of fixation, rationalization, and detachment, all of which can drive a company toward unethical actions. There are however, ways to counteract these. As he describes:

If fixation, rationalization, and detachment are the symptoms of this pathology, what can you do to reverse those? The opposite of fixation is perspective. The fixation is zooming in and getting stuck; perspective is zooming out, and seeing all the context. What’s the antidote to rationalization and not telling myself the truth? Frankness.....The ability to talk without varnishing the truth is a very precious thing and we only realize how precious when we feel that we can’t do it. The antidote to detachment is engagement. Engagement means getting out into the community, or getting out to your employees. Coming to a deeper understanding of some of the consequences of what your actions are.

The antidotes to the pathological symptoms described above were evident in the three companies I studied. In addition to perspective, two of the companies have systems and/or a process that allow employees to give feedback and ask questions, and all companies are highly involved in the community. The benefits of this involvement on all stakeholders, and especially

the community in which the companies are located, are clear to the leaders I interviewed. When asked what motivates him to sustain a commitment to shared value, one leader commented on the satisfaction of being part of and witnessing positive growth and development in the community: “Seeing [urban] areas that you would be afraid to walk in [previously], and now you don’t think twice about bringing your family there, that’s very rewarding.”

Goals and metrics

All six leaders easily answered questions about financial goals and metrics. Some provided details regarding their net revenue goals for the year or the percent amount of growth the company aims to achieve each year, and others answered more generally. In essence, the financial goal of all three companies is long-term growth and profitability. According to one leader, “as a business if you’re not growing you’re shrinking, it’s very difficult to stay exactly flat because the market around you is changing.” I expected a focus on growth given that they are all for-profit companies. Each company produces and follows annual budgets, operating plans, and financial performance metrics. One company is a highly regulated business so receives regular external evaluations. The following table lists ways that each company described their financial goals and how they are measured.

Finance	Manufacturing	Wholesale distributor
<ul style="list-style-type: none"> • Adhere to the budget • Reasonable growth • Monthly reports on the services offered • Quarterly financial metrics 	<ul style="list-style-type: none"> • Healthy balance sheet, good debt to equity ratio, good cash flow position • Revenue goals are 1.5% above the GDP • Annual growth • Exceed the annual operating plan 	<ul style="list-style-type: none"> • Add value in such a way to have growth • Stockholders want more than 1-2% growth • Long-term growth and long-term profitability • 10 performance metrics monitored by leadership

Leaders at all three companies brought the conversation of financial goals back to social commitment goals, saying that as the company increases revenue, it can then do more in the

community. One leader commented that they want growth in order to keep the mission alive; another said that there's no point in having a purpose if it's not sustainable; and, a third noted that it's the profits that enable the good work. All companies saw their success and profitability as an opportunity to do more in the community.

When asked how the company defined and measured its social commitment goals, there was much less consistency and fewer clear metrics. All leaders pointed to their level of cash contributions as a metric. Two of the three companies have surveys in which employees rate their satisfaction with the company overall and with how they feel the company is doing with regard to community commitment. One leader said that they look for people to say 'I'm a better person for working here.' The finance company, which is the furthest along in terms of declaring an official commitment to shared value, is still trying to assess what social metrics are the best for them to use. One leader talked about the personal satisfaction one feels when helping others.

The following describes ways that each company measures social outcomes.

Finance	Manufacturing	Wholesale distributor
<ul style="list-style-type: none"> • Minimum of 2% net income contributions to the community • Uses validated social impact measurement tools • Recipient of social impact awards 	<ul style="list-style-type: none"> • 10% pre-tax profits to community • Scorecard to measure supplier relationships • Employee survey 	<ul style="list-style-type: none"> • 6% after-tax profits given to community • Internal advocacy, community, and environment group sets and measures goals • Employee survey

The challenge for the three companies to clearly define and measure social impact is not unusual. Both subject matter experts that I interviewed commented on the relative newness of systems to measure social impact. Comparing social metrics to financial, one expert said,

We forget that if you think about the evolution of the econometrics that Main Street business is based on, those came out of a 70-year process. If you look at how we assess

publicly traded companies today it looks very different than what was happening 30 or 40 years ago.

Just like social metrics now, at one time our ability to measure financial impact was underdeveloped. But over time, tools to measure were created. The same is happening with social metrics. Now, we struggle to measure social impact, however over time, 10 to 15 years, according to the expert I spoke with, we will develop effective and universal tools.

In the late 1990s and early 2000s, this expert focused on formalizing a methodology to measure a social return on investment (SROI), essentially the equivalent of the financial return on investment. This was in response to social investors who would claim to invest for social return, but in fact had no way to measure it. This growing field of “impact investors” is another of the environmental factors that is blurring the for-profit and non-profit boundaries. Impact investments, investments made with the goal of generating social and environmental impact along with financial return, are a significant force: according to a report by the Rockefeller Philanthropy Advisors, a sampling of investors in 2013 planned to commit \$9 billion toward impact investing, and by 2020 it is predicted that up to \$400 billion will be put toward impact investing (n.d.).

Since the early 2000 the evolution of measuring social impact has continued. Today, there are many platforms that work toward this goal. These include Impact Reporting and Investment Standards (IRIS), Global Impact Investing and Rating System (GIIRS), Global Reporting Initiative (GRI), and B Analytics. These systems provide various tools, ratings, and platforms for measuring social and environmental impact. B Analytics is the measurement platform associated with B Lab, the nonprofit behind the BCorp certification movement. The

creation of these different systems demonstrates the growing interest and desire for a comprehensive way of measuring social impact, and is a reminder of the evolution of this work.

Tensions

In order to answer the question of decision-making in the context of shared value, I wanted to first understand the tensions that occur when trying to achieve the both/and of both profitability and social impact. Each leader commented on some level of tension or challenge with doing both. One leader initially said that the goal of having what they call an extraordinary business and an important social mission “are not in conflict at anywhere along the path, in fact they are supporting and reinforcing, even more important than having to make this hard, difficult compromise.” However, when pressed to think about a situation in which he had to make a decision that considered both economic and social impacts, he did talk about a situation where it took him a long time to be convinced that the financial output was worth what would be gained in social impact. This illustrates that while his initial comment, and that of the other leaders that shared value is “good for business,” is in many ways true, these goals do indeed bump up with each other at times.

This “bump” was described by one leader as a healthy tension. She stated, “We always want that push pull, we always want to be challenging ourselves economically.” In her company, she said that “mission-margin” decisions are a daily occurrence. She went on to describe mission-margin:

Is mission going to weigh out over margin? For example, we may get a [customer] request that we look at and say ‘from a margin standpoint this doesn’t make sense for us to do this...’

Interviewer: In terms of how much money you would get back?

Exactly, so in terms of our return on investment if we were to [fulfill this request], it's really not worth the time and effort that we would put into [it], but we may say from a mission standpoint we should really do this.

Another tension related to the "mission-margin" decision is the impact that choosing mission has on individual performance metrics. If the company takes an economic loss on a product, that lost revenue is attributed to one person or one department and shows up in performance metrics. That is a lingering tension that leaders in the company must address. As the leader in this highly regulated business noted, the external regulators don't care about the mission part of their work.

Similarly, a leader at the wholesale distributor said that the tensions between economic and social impact are most often felt in departments that have clear productivity metrics. These departments also tend to have hourly wage-workers and operate with a lean staff. Thus, their ability to participate in service projects, a commitment embraced by the organization, is difficult. Essentially, these leaders find that at times doing both/and can be challenging.

A leader at the manufacturing company described the tensions as disagreement as to how the values are expressed. This company has published values and belief statements and communicates that clearly to all employees and stakeholders, but how these values are carried out is where this leader saw tensions. For example, leaders may disagree about how much support should be given to an employee before they are terminated.

The question of tensions presupposes a situation of either/or, a situation of trade-offs, a question of which should we chose now. When I asked the second leader of the manufacturing company about tensions he answered, "How you utilize your resources is always a tension."

Whether a company invests more in R&D or in capital, whether a company invests in solar panels or a wellness plan for their employees, regardless of a company's commitment to shared value, resource allocation is a tension experienced by all companies. Whether he intended to or not, with his answer this leader stepped out of the either/or question and made it an answer about the whole.

Stepping out of the either/or mindset takes us back to the blended value proposition I discussed earlier in the conceptual context section. The ability to transcend the either/or mindset is an idea strongly supported by one of my subject matter experts. This expert is somewhat critical of the shared value concept because it allows companies to build on a bifurcated corporate structure rather than begin from an integrated value perspective. He says,

I would argue that the boards of directors of a lot of major companies that have adopted, whether it's the CSR [corporate social responsibility], the sustainability, or the shared value frames, at the core they're being managed for shareholder return....

The next generation of companies are having and demonstrating a much greater capacity to create and execute a, whatever you want to call it, a shared value, or blended value frame, but basically they approach the fundamentals of the business model on an integrated basis, and I think that's where this conversation is headed, ultimately.

When companies operate in a fully integrated framework, the idea of tensions changes. He continues:

Tensions are also a function of place. If you're operating a company, again if you're a traditional company and you're framed on a bifurcated value proposition, that is fundamentally a tension-filled set of trade-offs, because that's just the nature of the thinking.

However, in a fully integrated model, “it’s not so much a question of tension or trade-offs as how do you understand the aspects of investing and company creation where we’re optimizing for different parts of the value creation process.”

What this expert advocates for is a new way of thinking about value from the very beginning of idea and company creation. It begins with a broad definition that equalizes value rather than trying to build on top of an existing structure that prioritizes value. This concept is important for the purposes of my research question because I believe values impact decision-making. Thus, if a company is built on a structure that prioritizes certain values over others, decisions will reflect those values. The more a company is able to value all impact equally from the very beginning, the decisions that leaders face becomes what is the impact of this decision on our whole value proposition.

Decision-making

The fifth theme of my interview questions directly addressed my research question. As a way to tease out the process of decision-making in the context of shared value, I asked each leader to talk about a time when he/she had to make a decision that involved both aspects of their dual commitment and how they progressed through that decision. Both leaders at two of the three companies gave the same example, which indicated to me the significance of the decision and its impact on the company. At the same time, each story was a powerful example that illustrated the many factors that leaders make in the decision-making process.

In making their decisions, both leaders at two of the three companies referenced the company’s stated values and philosophy, essentially the company’s guiding documents. The manufacturing company has a guiding philosophy that includes a Declaration of Belief and a Direction Statement that states how the company seeks to behave in relationship to the

stakeholder groups that are critical to its success. In addition, the leadership team considers what they call the three-fold model when making decisions: identity, mission, and stewardship. As the leader explained,

We talk about the threefold model, which is identity, which is our culture, our employees, how we interact.... Then we have our mission, which is much more customer focused and then stewardship, which is the financial sector. We talk about being balanced in all, and when we face key decisions, are we looking at all three sectors, how it impacts mission, stewardship, as well as the identity? So there are tensions that exist between those three. Sometimes it might be really great for the financial benefit of the company but it might impact identity negatively, and/or mission. Just trying to have a balanced view.

The situation that this leader talked about was the opportunity to manufacture a part for a machine that would dispense what could be considered an unhealthy product. While it would have been a profitable endeavor, the leadership team ultimately decided that they did not want to be part of a product that had a negative impact on individual health and the environment. In their three-fold model they considered the impact of this decision on their identity, which can be described as what they stood for and what they were known for.

Another factor that leaders at all three companies referenced to some degree was how the decision impacted their image or reputation, also related to identity. Leaders considered what their decision would communicate to their stakeholders, whether to their customers or their suppliers as the decision of the manufactured part, or to their employees as was the case with the wholesale distributor.

The two leaders at the wholesale distributor talked about their decision to invest in an on-site cafe. Like the manufacturing company, the leadership team considered their purpose, values, and strategic anchors, two of which are Be an Extraordinary Business and Create a Great Work Place. They also considered the impact on their employees and what this investment would say about their commitment to employees and other stakeholders. One of the leaders talked about his process of trying to justify the investment. He described it thus:

Employees always wanted to have a cafe here and every time I ran the damn ROI on it, I lost big-time bucks. I could not conquer that one.... We really struggled, and finally the epiphany was that it was really more about the potential for building community within [the company], it was really about keeping us here, not having us wander off for lunch, and yes, it was going to cost us a lot of money and it was ultimately going to be a benefit for everyone, but for the employees primarily. And in the scheme of things, it cost \$5,000 a month for us to create a benefit for the employees, and someday there may be a way to lower the \$5,000 monthly cost to a little bit less, particularly if we grew as a company, so maybe there was light at that particular end of the tunnel, but I would never be close to breakeven. But maybe that was good enough, maybe that was the benefit....The benefit to employees was actually a little bit bigger than I had initially, my calculus of costs versus the benefit for the employees... I could've added a little more positive to the employee benefits [side of the equation].

This leader did not have a way to measure the value and benefit to employees in the way that he could measure financial impact. Ultimately, he had to base his assessment on less defined measures.

Both leaders at the financial company talked about a situation in which the leadership team decided to stop providing a particular service to a group of underserved customers because the financial and legal risk to the company and individual leaders became too great. They both talked about the decision as one that was very hard for them to make, and also spoke of the many alternatives they tried. Like the other two, the financial company considered the impact of their decision on the stakeholders and on their reputation in the community. One leader at the company also noted the company's commitment to transparency with its stakeholders:

I think in any situation that we're dealing with when we're up against mission margin, we try to first get all the facts, and understand the impact of a decision one way or the other, and we try to be transparent with all the parties involved to say this is the decision we're making.

Considering the impact of decisions on stakeholders was also identified by one of my subject matter experts as a key factor in leadership decision-making within the shared value context. This connects to the idea mentioned previously of engagement as the antidote to detachment. Once a company is engaged with the community and/or other stakeholders, it's difficult to make decisions without considering the impact on those stakeholders.

The table below summarizes the principles, guidelines, and factors that were considered when leaders were making decisions.

Finance	Manufacturing	Wholesale distributor
<ul style="list-style-type: none"> • Alignment with mission • Impact on customers (stakeholders) • Impact on image/reputation • Economic feasibility • Research alternatives • Transparency • Overall risk to company and individuals 	<ul style="list-style-type: none"> • Alignment with direction statement and declaration of belief • Impact on stakeholders • Impact on image/reputation • Economic feasibility • Three-fold model: identify, mission, stewardship 	<ul style="list-style-type: none"> • Alignment with purpose, values, and strategic anchors • Impact on stakeholders • Impact on image/reputation • Economic feasibility

As noted in the table above, another element of the decision-making process shared by all three companies was economic feasibility and impact. The one leader at the wholesale distributor talked about the economic feasibility with regard to the overall costs, as previously described. The second leader at the company referred to economic feasibility with the comment that she was leading a group that led initial planning for the cafe, “And then we had that little bit of a downturn in the economy a few years ago so we put it on the back shelf, and then a year later we pulled it back out.” The economic reality of the company and country as a whole affected their ability to pursue the project. Similarly, the leader at the manufacturing company dreamed for several years about supporting an annual international service trip before it was economically feasible for the company to actually do it.

The finance company’s decision to initially provide the service to the underserved customers did meet the profitability test in that the company earned revenue on the service they provided, so it provided a service to the community and there was an economic benefit to the company. In the examples shared by leaders at all three companies, the decision made economic sense and the company had the resources to pursue it. Ultimately, the profitability question is a factor in the decision-making process. One leader at the finance institution described it this way:

I don’t think we will do a [service] if it doesn’t make economic sense. If we don’t think it’s gonna make it financially, no matter how well it serves our mission, we won’t do it.

Where mission comes in, is where there’s gray area. And it’s a dollar amount that maybe we feel we could live with if [the product] goes bad.

With regard to my research question, it is important to remember that for-profit businesses are just that, for-profit, and so ultimately the ability to carry out a project or its financial impact is a factor that guides decision-making. This was reinforced by one of my subject matter experts in

his comments about what, in addition to stakeholder impact, must be considered when making decisions. He comments,

[Leaders] won't consider a decision well-made unless it has passed certain tests.

Profitability is one of those tests, there has to be a return on investment, business leaders have got to be accountable to the providers of capital, or they won't be in business for long. But that's not a license for fixation and the good business leaders know that, they see it as part of their job to avoid that fixation.

While not the whole value proposition, the economic impact of a decision, whether profit or loss, is a factor that leaders consider when making decisions.

Summary of the five themes

Through my interviews with industry leaders and subject matter experts, I learned how three locally-based businesses define, express, and operate in a context of shared value. There are many common and unique examples of shared value in practice, these include support of and engagement with the community, products that address community needs, services targeted to the underserved, environmentally sustainable practices, commitment to stakeholders, and clearly defined mission and purpose.

For all three companies, the commitment to shared value began with the founders. This is significant in that it demonstrates the importance of the leader in setting the direction for this work. And while it began with a personal commitment, all companies are motivated to continue the commitment because of the benefits they received as a result. These include a general understanding that it is good for business, dedicated employees, wider stakeholder engagement, and personal fulfillment.

As for-profit businesses, each company's financial goals are growth and profitability so that they can continue to do good work with their profits. All three companies are committed to social impact but vary in their ability to measure social impact. This reflects the nascent development of social impact measurement tools.

Leaders at each company shared challenges that arise when operating in a shared value context, and while they experience tensions, no leader described the tensions as unmanageable. One leader described it as "not tense, more of a problem-solving activity." The tensions leaders do experience will dissipate the more that they are able to see social and economic value as a both/and value proposition rather than an either/or.

When the leaders I interviewed make decisions in this context, they consider their guiding documents and company mission, the impact on stakeholders, the impact on their reputation and image, and the economic feasibility and profitability of the decision.

Additional themes that emerged

In addition to the five themes initially identified through my interviews with industry leaders, two other themes emerged that were reinforced by the subject matter expert interviews. These were 1) the impact that public or private ownership of the company has on decision-making, and 2) key elements that are needed to make a commitment to shared value possible. I will discuss each of these now.

Public versus private companies

The three companies that I included in my research are privately owned. While all have stockholders, leaders in all three companies made comments related to the limited pressure they feel from stockholders. For example, when asked about tensions that he experiences with regard to his company's commitment to both social and economic impact, the founder of the wholesale

distribution company said, “Well, that’s the beauty of not being a public company. Most of the tensions are going to occur in my own head as the majority stockholder.” Leaders in my study are not accountable to hundreds, let alone thousands, of stockholders and thus they have more flexibility to make decisions that may not show immediate financial gain but will in the long run.

The CEO of the manufacturing company previously worked at publicly-owned companies, and talked about the impact that shareholders have on decision-making:

I worked for public companies, we’re going to Wall Street every quarter and it was unacceptable to not have a response to a bad quarter. The investors would freak and shareholders would go down and that’s the game you play, so then you say ‘what are we going to do?’ It was never an ethics issue to me, but it was a morality issue at times when we’d say, ‘okay guys, you know what we’re going to propose here, and what we’re going to say is not in the best interests of the company long-term, but we’re doing this to satisfy a bunch of people that have no vested interest in the company, but we don’t want to see the stock go down.’ And people would know that, but it was a reality, we knew that we were making short-term decisions that weren’t the best long-term decisions.

The pressures faced by publically owned companies to make quick decisions that answer to Wall Street was confirmed by one of my subject matter experts. He noted that company leaders he has worked with have equated the damage that Wall Street can do to a CEO whose company doesn’t perform as expected to a form of terrorism. A stock price that’s even a few cents lower than expected can lead to a CEO’s demise.

The idea of investing for long-term return is called patient capital, and was identified by both my subject matter experts as one of the biggest tensions faced by business leaders pursuing the concept of shared value. As one said, “[As a CEO] I’m forever negotiating the tension

between results now and results eventually.” The Acumen Fund, a nonprofit that raises capital to invest in ideas that address poverty, uses a patient capital model and describes it as a bridge between pure market-based approaches and pure philanthropy. Patient capital has a high tolerance for risk and long time horizons for return on investment (Novogratz, 2009).

Privately-held companies, those that do not have the pressure of providing quarterly “earnings guidance” updates to Wall Street, have more flexibility to think long-term and make decisions that may not answer to short-term needs but address long-term goals. My second expert commented on this as well, remarking that leaders at privately held companies can decide what is market rate and what kind of returns they expect. Clearly, company ownership impacts decision-making in how, and for what goals, decisions are made.

Factors that support shared value

Another unexpected theme that emerged from my research was the identification of factors that make working within a framework of shared value possible. Leaders in two of the three companies stressed the importance of having all levels of leadership committed to the shared value concept. It is important that there is alignment from the board level to the front-line employees with regard to the purpose of the work. This too was reinforced by one of my subject matter experts who commented that tensions are much more likely when all levels are not aligned to the same purpose.

Complementing the importance of alignment across the company toward the shared value idea, another key element for making this work is the mindset of the leaders that a both/and proposition is indeed possible. Both experts touched on that point, that the attitude and mindset of the leadership impacts the culture of the company and its goals.

A third element needed to make this work, brought out by a subject matter expert is the creating a culture in which questions can be asked, from the board to all level of employees, and to “systematically make it impossible for important decisions to be made without certain questions being asked.” The ability to ask questions is the antidote to “rationalization”, mentioned earlier. Asking questions forces reflection as to why something is being done.

The following table summarizes these findings.

Factors that support shared value
<ul style="list-style-type: none"> • Alignment to values and purpose of company across all leadership levels • Mindset among leaders that both/and is possible • Company culture that allows for questions to be asked

The Evolution of Shared Value

A question I asked specifically of my subject matter experts was about the change they have seen in companies’ commitment to shared value over time, and what they feel is contributing to the change. As I discussed in the conceptual context section, companies’ commitment to corporate social responsibility and the like has evolved over time, and today companies are increasingly incorporating commitments to both social and economic value in their work (Pfitzer et al., 2013).

One of the experts I interviewed spoke at length about the nature of the conversations that are happening in this space that originate from different perspectives, but are now coming together with the same end goal. One conversation is happening with traditional mainstream investors who realize that if a business does not manage issues such as climate change, pandemics, and an uneducated workforce, these social and environmental factors will impact a company’s ability to make money and be profitable. So for this group, the entry point to the conversation is, in order to make money, we have to address these factors. The other

conversation is with people who are proactively asking how can we use capital to create good in the world. He summarizes:

What's happened in certainly the last five years, and over time in the last 15, is both of those conversations now are coming together in a very explosive way because you end up with [large global investors] basically applying sustainability practices within their portfolio firms not because they want to do good or be a good corporate citizen, but because in a competitive private equity arena they view it as one more level of marginal value add for return to shareholders. So I think it's the frameworks that are starting to, not fall away, but they're crumbling as we go forward with the reality that value is fundamentally whole.

The merging of these conversations is another example of how the boundaries between non-profit and for-profit are blurring. Regardless of the motive, whether to do well financially or to do good in the world, the impact is a dramatic reorganization of the nature of business. This new reality impacts nearly every aspect of business from goals to the talent needed to products made to the target market.

The subject expert identified three primary factors that are contributing to the changing conversations. The first is that "the current structures and systems are simply not adequate to where we need to go, and to where more and more people are concluding we should be." This connects to the earlier comment that company leaders need to address the social and environmental factors that impact their business or the company will not exist in 20 years, and it will have created a path of destruction in its wake. Second, technological and social networking advances have made the actions of companies much more visible to the world, such that companies cannot act in a cloud of anonymity as much as they previously could. Third, is the

demographic changes that are occurring with both the baby boomer and the millennial population. As he says,

We now have a generation of baby boomers that can see their death, and they're suddenly going 'wow, look at what we've done. On the one hand we've done some great stuff, on the other hand we've completely trashed the planet'.... And then the other piece to the demographic shift is that you now have the millennials who are basically entering the conversation and... saying I want to have profit with purpose, I want to know that the five days a week that I'm at work is how I live, and who I am, and what I'm about. And they are entering the conversation either as inheritors of wealth or as social entrepreneurs launching new companies, or as community activists with a fundamentally integrated mindset and perspective about the value of their life and what they want to spend their personal capital investment in.

The movement of shared value reflects an inflection point between business models that is being influenced by demographic shifts, technological advances, and global development. Many business leaders, social entrepreneurs, community leaders, and philanthropists are engaged in this work, with different motivations but all with the same goal. This is important for my research, and particularly my research subjects, because it means that over time there will be more and more companies who are engaged in this work and from whom we can learn more about leadership and decision-making in the context of shared value.

Summary and Recommendations

As previously mentioned, my research yielded rich data that provides understanding for how companies define, demonstrate, and engage in shared value. It also brought to light the

tensions that are present when operating in the context of shared value and also the factors and principles that guide decision-making in this context.

The experience and knowledge of the subject matter experts I interviewed painted the broader context that surrounds the experiences of the three companies and six leaders included in my study. They described a social and economic movement in which traditional business models are beginning to shift in response to not only the social and environmental realities that exist but also the impact of those realities on profitability. This changing business model calls for a new type of leader, a “21st Century manager” who can transcend silos and be multilingual with regard to business, investment, public service, and philanthropy (Clark, Emerson, & Thornley, 2013).

As I demonstrated in this thesis, the conversation is shifting. What are the implications of that shift for business, for the three companies I studied, and for leadership? What does it mean for my own leadership practice, and for programs that educate leaders? Broadly, companies and educational programs that are not a part of this changing conversation need to be, for their own survival. To that end, I make the following recommendations.

Leaders of all businesses need to start paying attention to shared value. It is no longer an “add-on” to consider the social and environmental impact of a business; these factors must be addressed in order to ensure a successful business for two key reasons. First, the actual environmental or social damage caused by businesses will impact profitability – consider the impact on profits if a business were to operate in an inhospitable natural environment or with a workforce that lacks the skills or health to meet business needs. Second, consumers, the general public, and employees want businesses to consider their impact beyond profitability, and these groups will direct their dollars and time to those that do.

All three of the companies studied were engaged in the work of shared value, but none of the leaders described it that way. They did it because it felt right to them as individuals, because it was a part of the company culture, and because they saw ongoing benefits. The extent to which they saw themselves and their companies as part of this greater movement, this shifting conversation, varied. To the leaders of these companies, I recommend that they explicitly embrace this concept and own it. By doing so, they will have greater impact within their own company as well as the local and global community.

One way to embrace the concept and create greater impact is to identify specific goals and metrics for social impact and measure them. As was mentioned earlier, this is an emerging field; however, there are tools, resources and platforms available to support this work. I recommend starting with B Analytics, the measurement platform of B Lab. Engaging in this work will take time and resources, and it will be messy. Yet, by waiting for the perfect system much of the impact that these leaders want to make will be missed. By seeing what they are doing, they can also see what they are not doing, and can identify ways to improve. Leaders at the companies I interviewed all noted that increased profitability would lead to greater impact; in addition to putting more money toward social goals, the work of identifying and measuring impact and adding those results to the larger movement, is another way to have greater impact.

Another way these three companies, and business in general, can be part of the greater movement is to incorporate as a Benefit Corporation (BC). On April 24, 2014, the Minnesota legislature passed the Minnesota Public Benefit Corporation Act. It is expected that the governor will sign the law, and it will take effect January 2015 (Mason & Nygren, 2014). By becoming a BC, businesses will have the obligation and incentive to pursue a public benefit; they will equalize the importance of social and economic impact. I recommend that businesses consider

incorporating as a BC. It will lead to better business outcomes through long-term profitability and engaged and committed employees.

For leadership preparation programs, what does it mean to develop the 21st Century manager? One who is equipped to handle the complexity of the new business models? The MAOL program has started to address this need with courses such as Values Based Leadership and Innovation and Entrepreneurship; however, more is needed.

I recommend a course on Social Return on Investment (SROI) that will give leaders the tools to address the blended value proposition. Offer courses that study specific frameworks and platforms that measure social impact so that leaders enter companies with this knowledge, able to move a company toward measuring both. The adoption of the BC in Minnesota will require learning about this new legal structure and understanding how leaders lead within this setting. This would set graduates apart, and provide a practical and needed skill set.

Develop courses that help students think outside the binary structure of for-profit and non-profit and instead encourage the blurring of boundaries, courses that help students understand how to approach an endeavor, an organization, a position from an integrated framework, to, as my subject matter expert said, “optimize for different parts of the value creation process.” In addition to incorporating these courses throughout the MAOL programs so that they are available to all students, consider developing a social enterprise concentration. My research shows that there is strong interest in social enterprise now, and will only become more so in the future. Individuals coming into the MAOL program are of those generations who want purpose with profit, and it is critical that leadership preparation programs like MAOL equip them to have the skill set to manage and lead for both. They themselves want it, and they need to be able to inspire others to achieve it as well.

As a topic of scholarship, given the great energy and interest in shared value and its many related topics, my recommendations for further research are practically unlimited. However, the two unexpected themes that emerged from my research are both worthy of further study. Understanding the role of shared value and decision-making in private companies compared to public companies is important as more and more companies of both types engage in this work. What impact does ownership have on shared value, and thus is one type of company more conducive to shared value than the other? Further, understanding what elements are needed in a company to support shared value will also enable its long-term sustainability. In their research, Pfitzer et al., (2013) touched on the need to embed a social purpose in the culture, but did not specifically address the role that leadership and leadership alignment has on the sustainability of shared value.

Conclusion

Having worked in non-profit organizations for the past 16 years, with most of my work in the area of fundraising, I have witnessed the blurring of boundaries between the non-profit and for-profit industries that I described in the conceptual context. While it has posed challenges to my work, it also excites and inspires me. The concept of shared value embraces the blurring of industries and provides an opportunity to meet multiple needs within society. It has the potential to combine the best concepts and strategies from both the for-profit and non-profit world for a transformative effect.

My research on three companies that are engaged in shared value confirmed that it is possible to operate a profitable company that also creates positive social impact. Being

committed to both/and does raise challenges, but not unlike other challenges found in the business environment. These three companies are part of a larger movement that is creating financial sustainability while generating sustained social and environmental impacts.

Ultimately, I feel incredibly inspired and hopeful for the future: as more and more businesses embrace the concept of shared value and acknowledge and measure their impact on society; as belief in the ability to do both/and grows in the public sphere; and as leadership programs equip individuals to lead in this new business model, our collective ability to eradicate many of the social ills of our world becomes increasingly possible.

References

- Adams, J., Khan, H., Raeside, R., and White, D. (2007). *Research methods for graduate business and social science students*. Los Angeles: SAGE Publications.
- Austin, J., Leonard, H. Reficco, E. and Wei-Skillern, J. (2006). Corporate social entrepreneurship: A new vision for CSR. In Marc J. Epstein and Kirk O. Hanson (Eds.) *The Accountable Corporation Volume 3 Corporate Social Responsibility* (pp. 237-247). New Haven, Connecticut: Praeger Publishers.
- Benefit Corp vs. Certified B Corp. Retrieved February 22, 2014 from <http://benefitcorp.net/what-makes-benefit-corp-different/benefit-corp-vs-certified-b-corp>
- Benn, S. and Bolton, D. (2011). *Key concepts in corporate social responsibility*. Los Angeles: SAGE.
- Bishop, M. (2013). Philanthrocapitalism: Solving public problems through private means. *Social Research*, 80(2), 473-490.
- Bornstein, D. & Davis, S. (2010). *Social entrepreneurship: What everyone needs to know*. New York: Oxford University Press.
- Boschee, J. (n.d.). Social enterprise terminology. Retrieved October 5, 2013 from http://socialent.org/Social_Enterprise_Terminology.htm
- Boschee, J. (2001). Eight basic principles for nonprofit entrepreneurs. *Nonprofit World*, 19(4), 15-18.
- Carroll, A. (2006). Corporate social responsibility: A historical perspective. In Marc J. Epstein and Kirk O. Hanson (Eds.) *The Accountable Corporation Volume 3 Corporate Social Responsibility* (pp. 3-30). New Haven, Connecticut: Praeger Publishers.
- Clark, C., Emerson, J., and Thornley, B. (2013). *Impact investing 2.0: The way forward-Insight*

- from 12 outstanding funds.* Pacific Community Ventures, Inc. Retrieved from <http://www.pacificcommunityventures.org/impinv2/>
- Dees, J. G. (Original draft 1998, revised 2001). The meaning of “social entrepreneurship”. Retrieved October 5, 2013 from http://caseatduke.org/documents/dees_sedef.pdf
- Driver, M. (2012). An interview with Michael Porter: Social entrepreneurship and the transformation of capitalism. *Academy of Management Learning & Education*, 11(3), 421-431.
- Emerson, J. (2003). The blended value proposition: Integrating social and financial returns. *California Management Review*, 45(4), 35-51.
- Find a Benefit Corp. Retrieved April 3, 2014 from <http://benefitcorp.net/find-a-benefit-corp>
- Gillham, B. (2000). *The research interview*. London: Continuum.
- Hiller, J. S. (2013). The benefit corporation and corporate social responsibility. *Journal of Business Ethics*, (118)2, 287-301.
- Kennedy, P. (2014, February 1). New corporate structure fits between for-profit and nonprofit organizations. *Star Tribune* [Minneapolis-St. Paul], retrieved February 16, 2014 from <http://www.startribune.com/business/242991431.html>
- Lilly Family School of Philanthropy. (2013). Giving beyond borders: A study of global giving by U.S. corporations. *The Indiana University Lilly Family School of Philanthropy*.
- Lowe, K. and Ochs, J. (2014, February 10). A kick-start for public benefit corporations. *Star Tribune* [Minneapolis-St. Paul], p. A11.
- Mason, B. and Nygren, J. (2014, April 24). Public benefit corporations come to Minnesota. Retrieved May 6, 2014 from <http://www.faegrebd.com/21503>.
- Novogratz, J. (2009). A third way to think about aid. TED@STATE. Retrieved April 2, 2014

from <http://acumen.org/ideas/patient-capital/>

Pfizer, M. Bockstette, V. and Stamp, M. (2013). Innovating for shared value. *Harvard Business Review*, 91(9), 100-109.

Porter, M. and Kramer, M. (1999). Philanthropy's new agenda: Creating value. *Harvard Business Review*, 77(6), 121-130.

Porter, M. and Kramer, M. (2011). Creating shared value. *Harvard Business Review*, 89(1/2), 62-77.

Prahalad, C.K. (2005). *The fortune at the bottom of the pyramid*. New Jersey: Pearson Education, Inc.

Rockefeller Philanthropy Advisors. (n.d.). Impact investing: An introduction. Retrieved April 1, 2014 from <http://www.rockpa.org/document.doc?id=239>

Sud, M., VanSandt, C. Baugous, A. (2009). Social entrepreneurship: The role of institutions. *Journal of Business Ethics*, (85), Supplement 1: 14th Annual Vincentian International Conference on Justice for the Poor: A Global Business Ethics, 201-216.

Triple bottom line. (2009). *The Economist*. Retrieved December 8, 2013 from <http://www.economist.com/node/14301663>

Yunus, M. (2010). *Building social business: The new kind of capitalism that serves humanity's most pressing needs*. New York: Public Affairs.

Appendix A: Tables and Figures

Table 1: Company description

Company	Number of employees	Number on leadership team	Evidence of expressed commitment per initial research
Finance	185	4	Products are designed for a primarily low-to moderate-income market; highly involved in the community; minimum 2% net income donated annually
Manufacturing	155	6	Philosophy and direction statement; commitment to stakeholders; 10% pretax profits donated annually
Wholesale distributor	600	10	Products positive social contribution; green supply chain initiatives; LEED certified building; 6% after-tax profits donated annually

Table 2: Roles and tenure of interviewees

Company	Title	Tenure at company; in current role
Finance	President	5 years; 1 year
	COO	8 years; 1 year
Manufacturing	CEO & President	6 years; 6 years
	VP of Global Human Resources	10 years; 2 months
Wholesale distributor	Founder & President	33 years; 33 years
	Director of Organization Development	14 years; 14 years

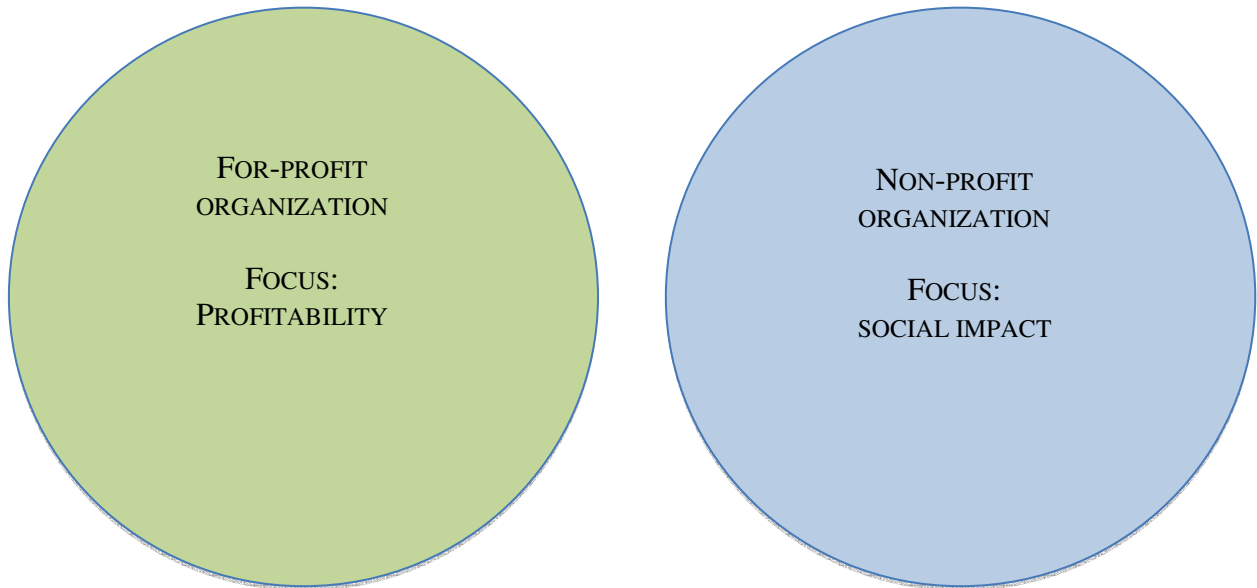


Figure 1: The traditional emphasis of for-profit and non-profit organizations.

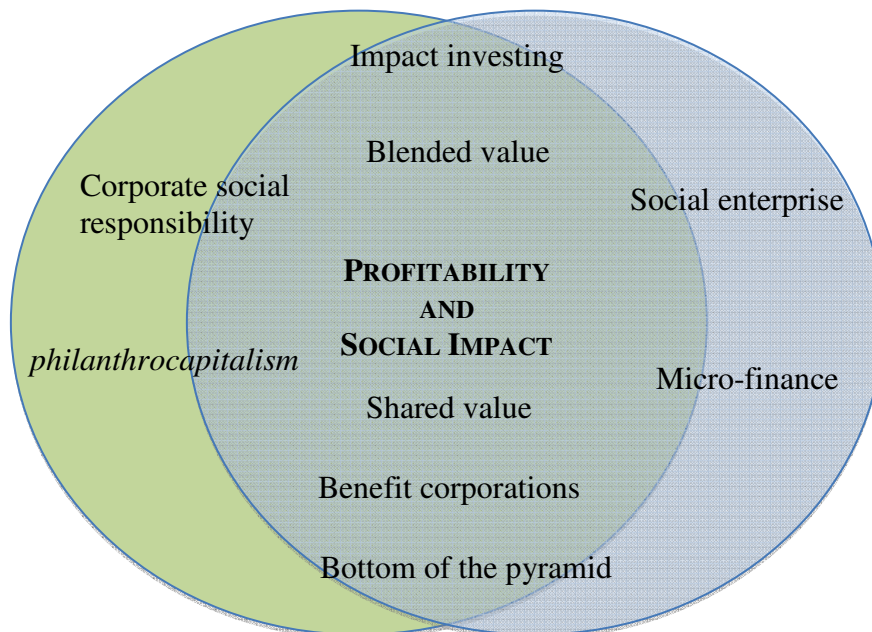


Figure 2: The "blurring" of for-profit and non-profit organizations and related ideas.

Appendix B: Research Instruments

Industry Leader Interview Questions

1. [Company] is not only economically profitable, but your company has also made a public commitment to having an impact on the greater good. How do you describe this commitment? How does this commitment translate into practice?
 - a. What is an example of this commitment in your daily operations?
2. What motivates(ed) you to incorporate a focus on [the greater good] into your company? What are the benefits of this commitment?
3. What are the company's financial/economic goals?
4. What are the company's goals as they relate to the greater good?
5. What are the points of tension that you experience with this dual commitment to both economic impact and greater good?
 - a. In what ways do you experience tension between these two sets of goals? How is it manifest?
 - b. How do you resolve those tensions when they arise? What strategies do you use?
6. Please share with me one or two examples of a time when you made a decision as a leader of this company in which you considered both the economic impact of your decision and the impact on the greater good.
 - a. For example, a decision related to employees, a product or service, a vendor or the larger community.
 - b. Walk me through that situation.
 - c. What was at stake for you? The company? Other stakeholders?
 - d. What were the points of tension as you considered the implications of your decision?
 - e. What did it require you to do?
 - f. What was the outcome?
 - g. How did people react?
 - h. Reflecting back on it, what, if anything, would you have done differently?
7. What principles guide your decision-making in these kind of situations?
8. You've told me your company's goals as they relate to both economic impact and the greater good. How do you know when you're successful in these two areas? How do you measure success?
9. Are there any final comments you would like to share related to any of the topics we discussed?

Expert Interview Questions

1. Tell me about your work as it relates to companies and their commitment to both economic and social goals.
2. Describe for me what company commitment to the greater good looks like in practice. How do company's demonstrate in their daily operations a commitment to greater good?
3. Porter and Kramer (2011) advocate for companies to embrace the concept of shared value, which involves "creating economic value in a way that *also* creates value for society by addressing its needs and challenges." What examples of this concept have you seen in the Twin Cities business community? Other places?
4. How do companies with a commitment to both economic impact and greater good measure success?
5. What are the points of tension that you see for leaders of companies that have a commitment to economic impact and the greater good?
 - a. How do leaders experience tension between these two commitments?
 - b. What strategies do you see leaders using to resolve these tensions?
6. As leaders of companies with a dual commitment make business decisions, what do you believe are the factors that influence their decision-making?
 - a. What do they consider?
 - b. What role do stakeholders play in their decision-making?
 - c. Who are the stakeholders?
 - d. What principles guide their decision-making?
7. How have you seen companies' commitment to the greater good change over time?
8. What do you think is contributing to this change?
9. Are there any final comments you would like to share related to any of the topics we discussed?