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The social case as a business case: Making sense of social entrepreneurship from an ordonomic perspective

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Markus Beckmann

The Social Case as a Business Case: Making Sense of Social Entrepreneurship from an Ordonomic Perspective

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an der Martin-Luther-Universität Halle-Wittenberg,
hrsg. von Ingo Pies,
Halle 2009

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Abstract

This article discusses how the theoretical perspective of ordonomics provides a framework for better understanding and advancing the practice of social entrepreneurship. From an ordonomic perspective, the concept of social entrepreneurship offers a semantic innovation (at the ideas level) whose potential for social innovation can be fully reaped only if it is used as a heuristics for social structural change (on the institutions level). Social entrepreneurs recognize relevant social problems, interpret them as an entrepreneurial challenge, and succeed in turning what was a social case into a business case in a broader sense. Using the real-life example of a successful eco-social entrepreneur, the article demonstrates that such win-win solutions can be reconstructed as the sophisticated management of social dilemmas. It sketches a strategy matrix for the practice of social entrepreneurship and distinguishes four paradigmatic strategies social entrepreneurs can employ to create win-win scenarios by changing the rules of the game to overcome undesirable social dilemmas. The article concludes by discussing social entrepreneurship in the context of new governance processes and highlights key similarities and differences to the concept of corporate citizenship.

Keywords: Social Entrepreneurship; Ordonomics; Commitments; Strategic Management; Corporate Citizenship; Semantics; Social Structure; Business Ethics

Kurzfassung

Dieser Artikel nutzt die theoretische Perspektive der Ordonomik, um einen konzeptionellen Beitrag zum Verständnis von Social Entrepreneurship zu entwickeln. Aus ordonomischer Sicht verbindet sich mit dem Konzept von Social Entrepreneurship eine semantische Innovation (auf der Ebene der Ideen), deren Potential für gesellschaftlichen Wandel jedoch daran geknüpft ist, sozialstrukturellen Wandel (also Reformen auf der Ebene der Institutionen) heuristisch anzuleiten. Social Entrepreneurs identifizieren relevante gesellschaftliche Probleme, interpretieren sie als unternehmerische Herausforderungen und vermögen es, einen „social case“ in einen „business case“ im weiteren Sinne zu transformieren. Am Beispiel eines realen Öko-Sozialunternehmers wird gezeigt, dass derartige Win-Win-Lösungen als das differenzierte Management sozialer Dilemmata rekonstruiert werden können. Der Beitrag entwirft eine Strategiematrix für Social Entrepreneurship und unterscheidet vier paradigmatische Strategien, wie Social Entrepreneurs Win-Win-Potentiale erschließen können, indem sie durch Bindungen unerwünschte soziale Dilemmata überwinden. Abschließend verortet der Artikel das Phänomen Social Entrepreneurship im Kontext von New Governance und diskutiert Unterschiede und Gemeinsamkeiten zum Konzept von Corporate Citizenship.

Schlagworte: Social Entrepreneurship; Ordonomik; Bindungen; Strategisches Management; Corporate Citizenship; Semantik; Sozialstruktur; Wirtschaftsethik; Unternehmensethik

JEL: D02, D63; L21; M13; M14

The Social Case as a Business Case: Making Sense of Social Entrepreneurship from an Ordonomic Perspective

Markus Beckmann

Introduction

“Social entrepreneurship” is a dynamic phenomenon and the subject of increasing interest in the current academic debate.¹ However, it is not theory that has been driving the development of social entrepreneurship, but real-world practice (cf. Bornstein 2006). Take the example of Muhammad Yunus, one of the most well-known social entrepreneurs in the world. He founded his famous Grameen Bank in 1983. It still serves as a role model for numerous micro-finance institutions (cf. Yunus 2007). Three years earlier, in 1980, Bill Drayton founded Ashoka, the first and today biggest nonprofit organization with the aim of supporting the field of social entrepreneurship (cf. Dayton 2006). Other foundations followed suit, such as the Schwab Foundation for Social Entrepreneurship, founded in 1998, and the Skoll Foundation, created in 1999.² Throughout the 1980s and 1990s, these civil-society organizations worked to advance social entrepreneurship and to foster literally thousands of social entrepreneurs around the world as important change agents for societal innovation and progress. This work continues to the present day.

In short, social entrepreneurship is a practice-driven phenomenon. The purpose of this article is to discuss how *theory* can play a constructive role in better understanding and advancing the practice of social entrepreneurship. A starting point for this endeavor is the idea that theory can provide conceptual perspectives that will allow looking at social entrepreneurship from different angles. To this end, the paper draws on the theoretical perspective of ordonomics. Ordonomics is a rational-choice based research program for analyzing institutions and ideas, as well as the interdependencies between them. From an ordonomic viewpoint, the concept of social entrepreneurship offers a semantic innovation (at the ideas level) whose potential for social innovation can be fully reaped only if it is used as a heuristics for social structural change (on the institutions level). Social entrepreneurs recognize relevant social problems, interpret them as an entrepreneurial challenge, and succeed in turning what was a social case into a business case in a broader sense. The ordonomic perspective highlights that successful social entrepreneurs realize such win-win solutions by investing in an infrastructure of innovative rules and functional commitments that overcome undesirable social dilemmas and thus make new ways of value creation possible.

This ordonomic argument is developed in four steps. The first step (Section 1) introduces the ordonomic perspective and establishes a three-tiered conceptual framework that distinguishes between the basic game of social interaction, the meta-games of social rule-setting (institutions), and the meta-meta games of rule-finding discourse (ideas).

¹ In recent years, the debate about social entrepreneurial has in fact become a topic that is increasingly finding its way into prominent mainstream journals. See, for example, Seelos and Mair (2007), Christie and Benson (2006), Mair and Marti (2006), Certo and Miller (2008), Neck and Allen (2009) or Zahra et al. (2009).

² See <http://www.schwabfound.org/> and www.skollfoundation.org/ respectively.

The second step (Section 2) applies this framework to the concept of social entrepreneurship. It argues that social entrepreneurship is relevant to all three levels of the three-tiered ordonomic framework. However, although we already have a good understanding of the role of social entrepreneurship in the first level of social interaction as well as with regard to the relationship between social entrepreneurship and the third level of semantics and discourse, it is as yet much less clear how social entrepreneurship interacts with the second level of institutional rule-setting.

Against this backdrop, the third step (Section 3) offers an ordonomic approach to understanding the institutional contribution of social entrepreneurship. For social entrepreneurship to be sustainable, it must be economically viable in the long run and therefore needs to be based in entrepreneurial innovations that create genuine win-win solutions. Using the real-life example of a successful eco-social entrepreneur, the article demonstrates that such win-win solutions can, through an ordonomic lens, be reconstructed as the sophisticated management of social dilemmas. More specifically, this real-life example illustrates how functional commitments can change the rules of the game and thus can make possible the sustainable realization of a social entrepreneur's mission. Generalizing this logic, the article sketches a strategy matrix for the practice of social entrepreneurship and distinguishes four paradigmatic strategies social entrepreneurs can employ to create win-win scenarios by changing the rules of the game to overcome undesirable social dilemmas.

The fourth step (Section 4) places the concept of social entrepreneurship developed here within the larger debate over business ethics, corporate citizenship, and new governance. From an ordonomic perspective, there are significant differences between social entrepreneurship on the one hand and the concept of corporate citizenship on the other. Yet, there are also striking similarities. In fact, even though each has a different point of departure, social entrepreneurship and corporate citizenship have a common point of convergence—namely, the win-win logic of mutually advantageous value creation. The paper concludes with an important lesson for business ethics theory: when critically discussing the (normative) semantics that shape societal discourse, business ethics needs to have a systematic understanding of the social structure that drives value creation in a market society. Given this social structure, win-win solutions are absolutely necessary for *any* enterprise to be sustainable. Business ethics theory is thus well advised to take into account the win-win concept more systematically.

The Ordonomic Approach: Linking the Analysis of Institutions and Ideas

Ordonomics builds on a still fairly young research program.³ The basic concern of this research program is the systematic exploration of interdependencies between institutions and ideas or, more specifically, the analysis of interdependencies between “social structure” and “semantics.” To this end, the ordonomic approach makes use of elementary game theory and a rational-choice based analysis of institutional arrangements. According to ordonomics, “social structure” (institutions) is defined as formal and informal institutional arrangements, including their incentive properties, whereas “semantics” (ideas) has to do with the terminology and underlying thought categories that

³ For an introduction to the “ordonomic” approach and a broad overview of applications of the ordonomic perspective to the domains of business and economic ethics see Pies (2009a, 2009b). For a more general discussion of the ordonomic approach, see Pies, Beckmann, and Hielscher (2009) as well as Beckmann (2009).

shape public and organizational discourse. Semantics is important because it channels how people perceive, describe, and evaluate social phenomena and, in particular, social interactions, conflict, and cooperation.

An important framework of the ordonomic perspective is illustrated by Figure 1, which shows three different levels of social games. Although Figure 1 is a very simple diagram, it provides a basic illustration of the interdependencies between ideas (semantics) and institutions (social structure). Ordonomics is interested in the question of how certain mental models and perception patterns of interpreting social reality influence and even determine our thinking and communication, thus shaping the social rules that coordinate human and organizational interactions, and, ultimately, channeling our behavior and social outcomes. At the same time, ordonomic is interested in looking at this same question from the opposite direction, that is, how do social outcomes and institutional arrangements affect shared mental models and the prevailing patterns of perceiving social reality.

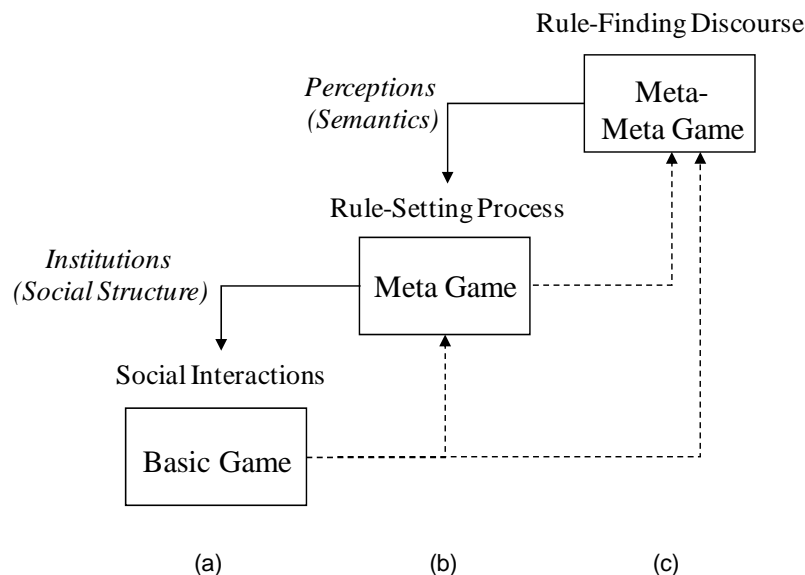


Figure 1: The three-tiered conceptual framework of the ordonomic perspective

To conceptualize this interplay between ideas, institutions, and interactions, the ordonomic approach reconstructs society as an arena of interdependent social games and distinguishes between the following three levels of social interaction.

(1) The first level describes the *basic game* of social interactions, both in society at large as well as within organizations (figure 1a). This basic game concerns the day-to-day interactions that occur not only in the marketplace and in companies and other organizations, but also in politics, sports, science, and in all other societal domains. In each of these environments, the basic social game unfolds as individual actors pursue their respective goals, interact with each other, and respond to the incentives and opportunities.⁴

What is of particular interest for the ordonomic perspective is that these basic games can lead to highly divergent outcomes at the social level. Some interactions produce

⁴ Ordonomics thus draws on the broad tradition of social theories that explain macro-level phenomena with a micro-level rational-choice foundation. Cf., for example, Becker (1976, 1993), Coleman (1990; pp. 1–23).

aggregated social results that are highly desirable from a normative point of view. Take the case of economic growth and prosperity, or high levels of innovation in oligopolistic competition (cf. Baumol, 2002). Here, the basic game seems to be led by some sort of “invisible hand” that promotes societal objectives. However, other interactions appear to be more guided by what could be termed an “invisible fist” and result in severe societal problems. Unemployment, corruption, and climate change are just a few examples of aggregate social outcomes that are highly undesirable but, nevertheless, ensue through actions of individual players in the basic game.

From an ordonomic perspective, the highly divergent aggregate outcomes of the basic game illustrate an important point. Whether the social result of the interaction of many individual players is normatively desirable or undesirable is not primarily due to individual motivations; rather, given the complexity of social interdependencies, it is the social structure—the incentive properties of the rules of the game—that systematically channels the game’s outcome. The outcome of the social game results from the sum of the individual moves of the game—with these being channeled by the relevant rules of the game that define its very logic.⁵

(2) Against this backdrop, a second level of social interaction is of systematic importance to the ordonomic analysis, namely, the *meta-game* of societal and organizational rule-setting (figure 1b). This meta-game concerns those processes by which the players establish the rules that shape the logic of the basic game. It serves to form and reform institutions and set incentives, thus having the potential to change and improve the social structure that channels the interactions in the basic game. Such meta-games are important because they allow the players to establish functional rules that enable cooperation in the basic game interactions. Also, if the basic game produces undesirable social outcomes, it is the meta-game that opens up the possibility for changing the situation into one that is mutually advantageous.⁶

(3) However, to change the rules of the meta-game, it is rarely enough that an individual player sees the desirability of doing so. In many cases, (re-)forming the institutional framework requires collective action and the collaboration of diverse players. Yet, the players will never agree on institutional reform and cooperation in the meta-game unless they first understand and agree that these new rules will be of benefit to them individually. An awareness of common interests is therefore an important condition for institutional reform.

Creating such awareness is what the third level of social interaction is about. This *meta-meta game* serves as a rule-finding discourse (figure 1c). Whereas the meta-game focuses on institutions or, in other words, social structure, the meta-meta game is focused on the importance of ideas, that is, semantics. Semantics is important in this regard because cooperation between players is largely dependent on how they perceive the situation, each other, and their relationship. For example, it makes a huge difference whether the players perceive their situation as a zero-sum game or as a precarious positive-sum game.⁷ This is why discourse is an important social arena. By engaging in discourse, we discuss, reflect, and develop the mental models and ideas (semantics) that guide what we perceive as relevant problems and, consequently, that determine where we will look for solutions. Discourse is thus important in defining the relevant problems

⁵ Cf. Popper ([1945] 1966, Ch. 14; pp. 89–99)

⁶ Following the distinction between the “choice within constraints” and the “choice amongst constraints”, the ordonomic approach thus strongly builds on the perspective of constitutional economics as advanced by James M. Buchanan (1987, 1990).

⁷ Cf. Schelling [1960], 1980).

and even more crucial to developing a shared understanding of the common interest in addressing these problems.

2. Social Entrepreneurship as a Semantic Innovation

The three-tiered conceptual framework of the ordonomic approach provides a fresh perspective on social entrepreneurship: it reveals what we already know about social entrepreneurship, as well as the gaps in our knowledge regarding this phenomenon. To demonstrate the usefulness of this framework, the next sections relate the concept of social entrepreneurship to all three levels of the ordonomic framework. Note, however, that the three levels of the social game will be discussed in a different order than that set out in the general overview above (Figure 2). The argument starts with the level of the basic game (1) but then goes on to the discourse level of the meta-meta game (2), leaving the intermediate level of the social meta-game (3) for last. This order is followed because it is at this last-discussed level of institutional innovation that the most work needs to be done to refine our understanding of social entrepreneurship.

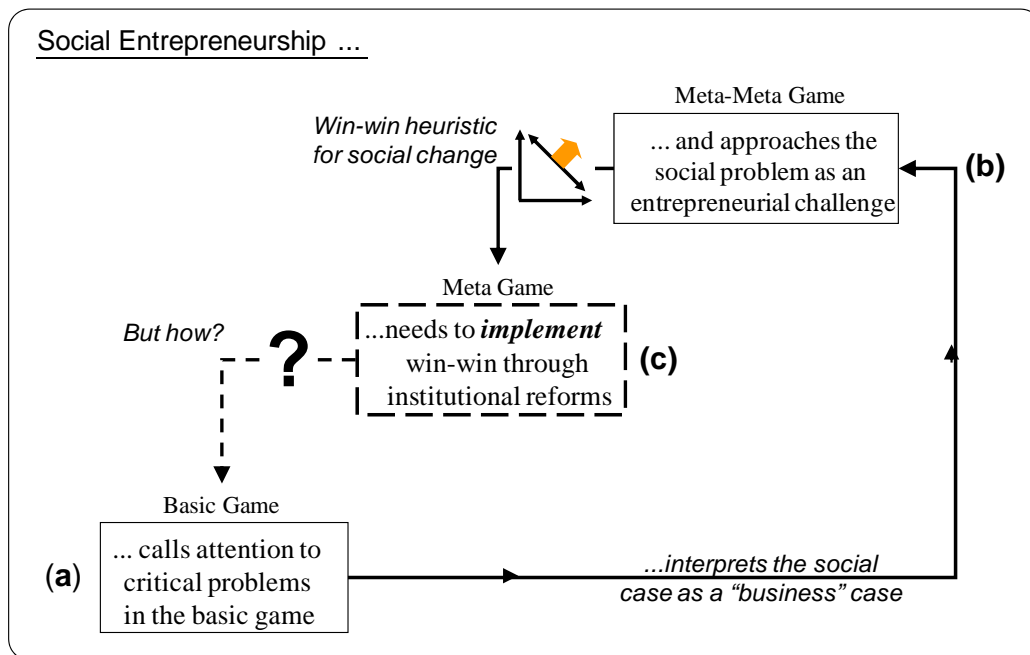


Figure 2: Social entrepreneurship in the three-tiered ordonomic framework

(1) Social entrepreneurship and the level of the *basic game*: What is social entrepreneurship? Although there is still no universal agreement on how to define this concept (cf. Martin and Osberg 2007), the ordonomic perspective provides at least one important element of such a definition: social entrepreneurship is always a reaction to perceived deficiencies in society's *basic game*. Social entrepreneurs react to situations in which the conventional problem-solving mechanisms of market exchange or government action fail to satisfyingly address important moral, ecological, or social objectives (cf. Seelos and Mair 2005). From an ordonomic perspective, the activity of social entrepreneurs reveals that the societal outcomes of extant social games are undesirable in that they fall short of addressing essential human needs (Figure 2a).

The work of three well-known social entrepreneurs provides an illustration. Through his activism, Muhammad Yunus brought attention to the fact that the conventional basic game in the economic and banking system in Bangladesh fails to eradicate poverty, causes credit rationing in rural areas, and prolongs the social exclusion of women.⁸ Andreas Heinicke, founder of “Dialogue in the Dark,” raised awareness of the fact that in the basic social game many people, such as the blind, are marginalized and that little interaction takes place between “them” and “us.”⁹ Finally, take the case of Aravind Eye Hospital & Aurolab¹⁰, a social enterprise founded in response to the problem that the basic social game in India fails to provide millions of people with urgently needed ophthalmic health care services.

Social entrepreneurs direct attention to areas in which the basic social game needs improvement. Yet, social entrepreneurship is not only about increasing awareness of social problems; rather, it is essentially about creating, organizing, and managing a venture that *addresses* these problems and seeks to engineer sustainable *social change*. Social entrepreneurship thus differs from conventional forms of business entrepreneurship in the relatively higher priority given to achieving social and environmental goals versus merely optimizing financial performance. This does not mean, however, that social entrepreneurs are completely uninterested in financial performance. In fact, social entrepreneurship includes both not-for-profit and for-profit-enterprises. What is characteristic of all forms of social entrepreneurship, however, is that a social entrepreneur never defines its mission and never measures its success exclusively in terms of financial profit and return. Put simply, a social enterprise is a “more-than-profit”: Muhammad Yunus’s success criterion is not (only) the financial viability of his Grameen Bank, but also, maybe more importantly, the number of poor people who have improved their lives by way of his services; Andreas Heinicke measures his success not only in profits, but in terms of how the status of blind people has been improved; similarly, when assessing its success, Aravind measures its performance by how much eye care it has provided to those so urgently in need of it.

In all these cases, the initial rationale for social entrepreneurship was not solely the desire to maximize profits, but was also motivated by a desire to improve the workings of the basic game in business, health, education, and other societal domains. Social entrepreneurship thus starts with a social case; a social case that arises from the basic game of societal interactions.

(2) Social entrepreneurship and the level of the *meta-meta game*: From an ordonomic perspective, social entrepreneurship is noteworthy not because it attempts to address social problems in the basic game, but because of *how* it does so. Ordonomics sees social entrepreneurship as an important semantic innovation. Social entrepreneurship takes a social problem as its starting point and then turns this social problem into an entrepreneurial challenge (figure 2b) and, moreover, often meets the challenge by creating a successful business that not only addresses the problem but makes a profit, too. Social entrepreneurship hence changes the discourse—the way we think and communicate—about social challenges. It is a win-win way of thinking about social challenges and, more importantly, of searching for solutions to them.

Perhaps this point is best made by looking at alternative semantic concepts that also address urgent problems in the social basic game. After all, social entrepreneurship is

⁸ Cf. Yunus (2007). For the economics of micro-finance see Armendáriz and Murdoch (2007).

⁹ See <http://www.dialogue-in-the-dark.com>.

¹⁰ For an informative analysis of this case of social entrepreneurship, see Mair and Marti (2006).

certainly not the only means for trying to make the world a better place; there are any number of other ways to go about this, including, to name a few, charity, philanthropy, aid, social transfers, and redistribution. What is of interest here is that these semantic concepts all build on a common mental model that, at least implicitly, promotes a certain kind of tradeoff thinking. Figure 3a is a graphic illustration of this type of thinking. Plotted on the horizontal scale are the interests of disadvantaged people; the interests of the more privileged are plotted on the ordinate scale. The negatively inclined line in Figure 3a illustrates the notion that there is a tradeoff between these two interests. As denoted by the arrow pointing southeast, the concepts of charity, philanthropy, aid, social transfers, and redistribution strongly convey the idea that the only way to help the disadvantaged is for the privileged to give up something, whether it be through voluntary donations, taxation, or by some other method. Such thinking assumes a zero-sum game in which one side can benefit only at the expense of the other. In other words, this sort of thinking is a win-lose semantics. According to this mental model, richer people have an ethical responsibility to act against their self-interest by giving up a part of their wealth, however measured, whereas the people to be helped are purely beneficiaries, receiving unidirectional transfers, with no obligation—and no capacity!—to send anything back the other direction.

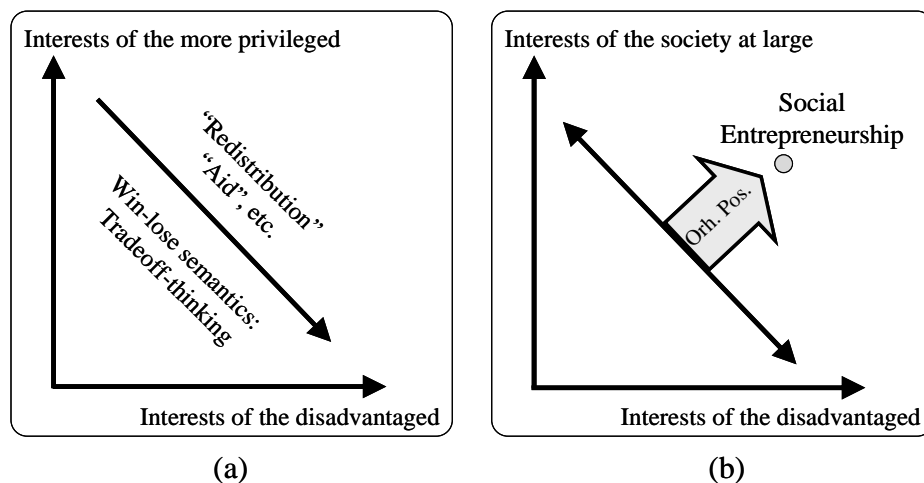


Figure 3: Social entrepreneurship as a semantic innovation

In contrast, social entrepreneurship involves a very different semantics. It interprets an urgent social need as an entrepreneurial challenge with the potential for innovative win-win solutions that benefit not only the disadvantaged few but society at large. Social entrepreneurship does not view the disadvantaged as passive recipients of help; rather, it assumes that even the worst off have something valuable to offer in return. Muhammad Yunus's Grameen Bank does not treat the people in poor rural areas as powerless recipients of charity, but takes them seriously as micro entrepreneurs who can and will pay reasonable interest rates on their loans. Similarly, Andreas Heinicke's Dialogue in the Dark provides blind people with an opportunity to demonstrate (and be paid for) their talents and skills. Finally, Aravind Eye Hospital treats poor people as normal patients and appreciates them as critical consumers of high-quality ophthalmic health care services. Social entrepreneurship is thus strongly anchored by the belief that entrepreneurial success is largely the result of creating and organizing positive-sum games. This means, very often, the inclusion of the formerly excluded in the process of social value

creation. In short, social entrepreneurship takes a view of social problems and business opportunities as not conflicting but as compatible and even complementary.

As Figure 3b illustrates, the idea of social entrepreneurship transcends conventional tradeoff thinking. Graphically, it looks for a position orthogonal to the tradeoff line and thus provides a strong win-win heuristic geared toward mutually advantageous social reform. Such a win-win orientation is important because it focuses the social learning process on innovative solutions that are more likely to have a truly sustainable impact. Strategies for addressing daunting social needs that operate within the win-lose paradigm and that rest on unidirectional transfers depend on the willingness of donors to contribute resources. Thus, such strategies often only amount to short-term changes of individual moves in the basic social game. This is not a truly sustainable solution. By contrast, a win-win strategy that changes the rules of the game so as to blend together a social problem and a business opportunity in a new and mutually advantageous game can initiate lasting and sustainable social development. From an ordonomic viewpoint, the concept of social entrepreneurship thus takes seriously the fact that any venture for social or environmental betterment will only work in the long term if it is also sustainable economically and financially. For social entrepreneurship to be sustainable, the social case must be turned into a business case in a broader sense. This does not mean that all social enterprises ultimately need to be for-profit business ventures. It does mean, however, that social enterprises will fulfill their full potential as catalysts of social change only if they are based on a self-sustaining “business” model, be it a trust, a not-for-profit cooperative, a civil-society organization, a body corporate, or a society whose members pool resources for achieving a common social goal.¹¹

(3) Social entrepreneurship and the level of institutional innovation in the *meta game*: The above discussion has looked at social entrepreneurship from an ordonomic perspective, thus showing the concept’s utility in addressing important social problems. Another look at Figure 2 provides a good summary of the discussion so far. At the level of the basic game (figure 2a), social entrepreneurship reacts to undesirable outcomes of the existing game and takes the social problem as its starting point. At the discourse level of the meta-meta game (figure 2b), the concept of social entrepreneurship provides a semantic innovation that interprets the social problem as an entrepreneurial challenge.

Ordonomics sees such semantic innovations as key to advancing social development. Semantics are influential in defining social problems and in searching for solutions to them. Thus, the innovative semantics of social entrepreneurship provide a powerful new heuristic for win-win reforms.

As Figure 2 illustrates, however, semantic innovation alone is not enough to achieve sustainable change. Nor is it enough to simply postulate the desirability of win-win solutions. The real challenge for social entrepreneurs is not to just dream up win-win solutions, but to *implement* them.

This is easier said than done, of course. Win-win solutions are far from self-evident. Indeed, in most cases, devising a win-win solution is a creative act. Social entrepreneurship, therefore, involves far more than just implementing a plan; the plan itself must be invented, sometimes out of “thin air.”

So how do social entrepreneurs create win-win solutions? From an ordonomic point of view, it is clear that the arena for creating win-win solutions is the meta-game of social rule-setting (figure 2c). A win-win semantics in the meta-meta game discourse

¹¹ For an overview of the diverse models and organizational forms of social entrepreneurship see, for example, Nicholls (2006).

can lead to a fully sustainable impact on the very basic game only if it translates into a constructive rule-setting meta-game for changing the rules of the game in a way that produces a mutually advantageous social structure. Institutional reform is a prerequisite to improving the outcome of the basic game, thus making a win-win solution possible.

In summary, then, the pivotal questions that need to be answered both for the practice and theory of social entrepreneurship are follows. How can social entrepreneurs contribute to institutional reforms that change the rules of the game? What are viable strategies that allow social entrepreneurs to act as institutional change agents? How can social entrepreneurs blend their social mission with financial sustainability through functional institutional arrangements?

Figure 2 thus serves to illustrate that while we have a clear idea of the semantic contribution of the social entrepreneurship concept, we are just beginning to understand the social structural contribution of successful social entrepreneurs. Deepening our understanding of this contribution is not only of theoretical interest, it could be of enormous practical value too. Thus, the next section develops an ordonomic approach to understanding the institutional contribution of social entrepreneurship, illustrating the theory with a real-life example of a successful eco-social entrepreneur.

3. *Win-Win Through Functional Commitments—The Case of Neumarkter Lammsbräu*

(1) Social entrepreneurship is about finding a win-win solution to a social problem. How is this done? Ordonomics begins to answer this question by defining what is meant by a “social dilemma.” The technical term “social dilemma” refers to a situation in which rational actors fail to realize their common interests due to their conflicting individual interests. A social dilemma is, therefore, a situation of collective self-damage: the result of social interactions is undesirable from a group perspective although—or, more precisely, *because*—each player acts in a way that is individually rational. There are many well-known examples of collective self-damage, including the “tragedy of the commons” (Hardin 1968), collective action problems and the corresponding ‘free-riding’ issues (Olson 1965), and principal-agent problems (Arrow 1985), as well as specific investments (Williamson 1985) and the resulting problem of appropriable rents (Klein et al. 1978).

This definition of a social dilemma aids in understanding how social entrepreneurship works because it reveals that, looked at in this way, that is, as a social dilemma, almost any social problem, any negative outcome of societal interactions, or any conflict can be interpreted (or re-interpreted) as a situation with potential for a win-win solution. The logic behind this argument is simple yet compelling. In almost any conflict or other instance of negative social outcome, there are—notwithstanding the simultaneous existence of conflicting interests—almost always common interests as well. For example, as soon as conflict “hurts” by consuming resources and thus becoming costly—and what conflict is not, at least in some way, costly?—there is a common interest in avoiding or at least reducing these costs.¹² The fact that rational actors fail to achieve this Pareto-superior solution shows that their conflicting individual interests keep them trapped in a social dilemma. After all, the defining characteristic of a social dilemma is that it is incapable of a win-win solution due to an incentive structure that induces rational actors

¹² Cf. Schelling [1960], 1980; p. 4 et passim.

not to act in a mutually beneficial way even though it would be in their common interest to do so.

Social entrepreneurship revolves around the idea that social entrepreneurs can create and realize win-win situations by overcoming such social dilemmas. However, success in this endeavor will not be achieved merely by a social entrepreneur simply changing his or her individual moves in the given game. Remember that the social dilemma is indeed a *social* and not an individual dilemma. After all, the collective self-damage inherent in a social dilemma is the result of the interaction of many players. To overcome a social dilemma, therefore, it is necessary to change the very game itself—and that means changing the rules of the game, its social structure.

How can social entrepreneurs change the rules of the game so as to overcome a social dilemma? According to ordonomics, the answer is straightforward: through functional commitments. However, depending on the social structure of the dilemma situation, different types of commitment are necessary. There are basically two types of social dilemmas—one-sided dilemma structures and many-sided dilemma structures.

The one-sided social dilemma is characterized by the possibility of *asymmetric* exploitation (cf. Kreps 1990). Player A can exploit Player B, but not vice versa. If Player B anticipates that he will be exploited if he cooperates, he is unlikely to cooperate—even though successful cooperation would be mutually advantageous. As a consequence, *both* players are left worse off. Due to the incentive structure of the game, they fail to realize a possible win-win solution. In this situation, an *individual self-binding moral commitment* can overcome the collective self-damage. In the one-sided dilemma, it is indeed sufficient that Player A—the player who has the asymmetric possibility to exploit the other player—undertakes a binding commitment that renders his exploitation of Player B unattractive to him. Such a binding commitment can change the social structure of the interaction and thus, ultimately, amounts to playing another game. If the binding commitment lends credibility to A's promise not to exploit Player B, Player B will be more willing to cooperate, and both sides can reap the win-win rewards of their cooperation.

The many-sided social dilemma is a *symmetric* situation in which cooperation fails because of the *reciprocal* opportunity for mutual exploitation (cf. Bowles 2004; pp. 23-55). All players can mutually exploit each other. This leads to a situation of collective self-damage because each player behaves exactly the way he fears the others will, that is, exclusively in their own self-interest. Given the social structure of the many-sided dilemma, no individual self-commitment can solve the problem. If just one player committed unconditional cooperation, the others would still have an incentive, perhaps even a stronger incentive, to exploit this cooperative behavior. The only way to avoid or stop this collective self-damage is through a credible collective self-commitment that changes the incentives for all players and induces them to simultaneously change their strategies. Only a multilateral commitment device can overcome the symmetric logic in many-sided dilemma structures and make a win-win outcome possible.

Depending on the type of social dilemma involved (one-sided or many-sided), therefore, social entrepreneurs can use different commitment devices to overcome social dilemmas and create win-win solutions. Just as there are two types of social dilemmas, there are two types of commitment devices, namely, *self-binding* commitments and commitment *services* that help other actors bind themselves. In the first case, a social entrepreneur voluntarily commits to a course of action (or nonaction), either individually or collectively with others. In the second case, social entrepreneurs help others (e.g.,

customers, suppliers, etc.) to overcome one-sided or many-sided social dilemmas by offering them a functional device for individual or collective commitment.

To summarize, the ordonomic approach offers a theoretical perspective for conceptualizing social entrepreneurs as institutional change makers. It highlights that social entrepreneurs can create win-win solutions through the sophisticated management of functional commitments. Such commitments can change the social structure of the basic game and thus help overcome social dilemmas. This theoretical perspective, however, is only of value if it actually aids in understanding real-world instances of social entrepreneurship. The next section therefore applies the ordonomic approach to the real-life example of Neumarkter Lammsbräu. The analysis substantiates the argument developed here on theoretical grounds and shows how this successful eco-social enterprise has created a win-win venture through the sophisticated management of functional commitments.

(2) Neumarkter Lammsbräu is a German brewery with a more than 30-year history of brewing organic beer and being an agent of social change in its community.¹³ The owner and manager, Dr. Franz Ehrnsperger, can be viewed as a classic eco-social entrepreneur. Inspired by a vision of creating an ecologically and socially sustainable enterprise, Ehrnsperger took over the family business from his parents and decided as early as 1980 to manufacture organic beer, to run his brewery according to ecological principles, and to take responsibility for local farmers. In so doing, Ehrnsperger reacted to what he perceived to be negative outcomes in the basic game of modern, highly industrialized agriculture, including increasing damage to the soil and groundwater ecosystems and the marginalization of small traditional farmers.

Ehrnsperger's vision had another side to it, however; one that involved the profit side of his business. Following his creed that "ecology is long-term economy,"¹⁴ Ehrnsperger was convinced that running an organic brewery according to sustainability principles would create a win-win outcome for all stakeholders—providing consumers with high-quality products, employees with jobs, and regional farmers with a long-term demand for locally produced organic raw materials.

However, all this was easier dreamed than done. The traditional rural community in which Neumarkter Lammsbräu operates posed several barriers to the transformation of its conventional agricultural structure into organic sustainable farming: to make the dream a reality, a number of social structural innovations were necessary. Today, the institutional innovations created and implemented by Neumarkter Lammsbräu have made this eco-social enterprise an impressive success. Neumarkter Lammsbräu was not only the first brewery to ever convert its entire range to 100% organic, it is also the biggest organic brewery in Europe, possibly the world.

Neumarkter Lammsbräu's success story not only demonstrates how a social enterprise can create a win-win implementation of economically sustainable ecological and social objectives, it is also an excellent real-world example of how a social entrepreneur achieved this success by a sophisticated use of functional commitments to overcome social dilemmas. The Neumarkter Lammsbräu case, in fact, wonderfully illustrates a comprehensive strategy matrix that identifies four paradigmatic options of how social

¹³ The following analysis of the case of Neumarkter Lammsbräu draws on the material as published on the brewery website at <http://www.lammsbraeu.de> as well as on the publication by Riess, Wenzel and Lüth (2008; pp. 105-114). For a similar analysis, see also the forthcoming publication by von Winning (2009).

¹⁴ <http://www.lammsbraeu.de/index.php?id=7&L=1>.

entrepreneurs can employ functional commitments to create win-win solutions. Figure 4 is a graphic representation of this ordonomic strategy matrix.¹⁵

The vertical dimension in Figure 4 differentiates between the two types of dilemma structure—one-sided and many-sided. In the horizontal dimension, the matrix distinguishes between the two commitment technologies—self-binding commitments and commitment services for others. In the left column, the social entrepreneur binds himself or herself, either individually or collectively. In the right column, the social entrepreneur helps other actors—in this case, the farmers—to make credible commitments. This two-dimensional structure makes it possible to identify four paradigmatic strategies a social entrepreneur can engage in to further his or her mission through functional commitments. In the following, the Neumarkter Lammsbräu case will be used as a real-life example of each of these strategies.

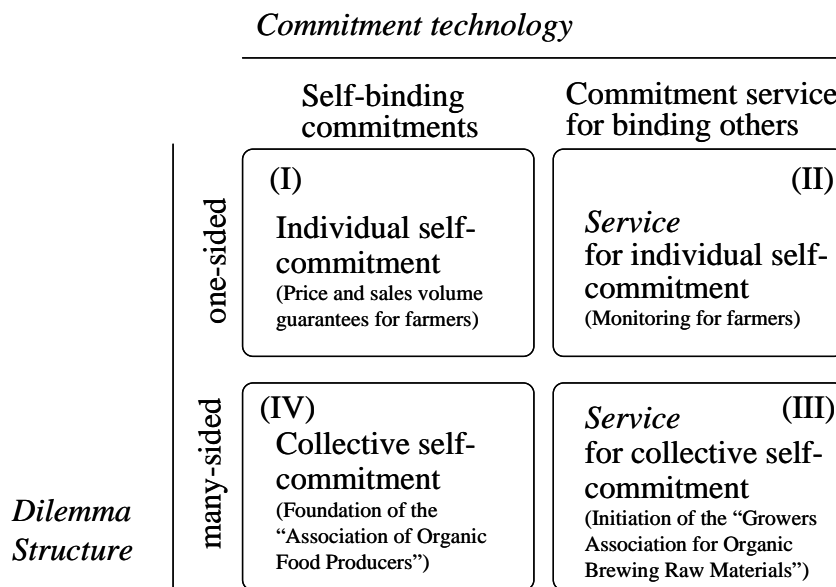


Figure 4: The ordonomic strategy matrix

(a) Box I represents the case where a social entrepreneur binds himself or herself so as to induce others to enter a cooperative relationship. In the case of Neumarkter Lammsbräu, such an individual self-commitment was important in overcoming a one-sided social dilemma between the brewery and its farmers. Figure 5a illustrates this situation graphically.

At a time when ecological products had not entered the mainstream market, Neumarkter Lammsbräu asked local farmers in its community to go organic. For the farmers this was problematic for a number of reasons. To begin with, according to EU regulations, farms have to be run organically for at least two years before the products can be sold as organic. Furthermore, the local farmers did not have the knowledge or management processes necessary for producing organically and meeting product standards for organic foods. As a consequence, farmers who agreed to go organic would have to make a number of highly specific investments. Such specific investments, however, could easily have been exploitable by Lammsbräu. In fact, with Lammsbräu being the only purchaser of organic brewing material in the region, the farmers had reason to be afraid that their costly specific investments would be subject to hold-up by Lammsbräu:

¹⁵ For a previous discussion of a similar ordonomic strategy matrix see also Hielscher, Pies, and Beckmann (2009; p. 57-61).

Referring to the pressure of competition Lammsbräu could ex post try to renegotiate and lower the prices it paid the farmers. For this reason, the farmers' initial skepticism regarding Lammsbräu's offer was actually highly rational. At first, therefore, the farmers decided not to go organic.

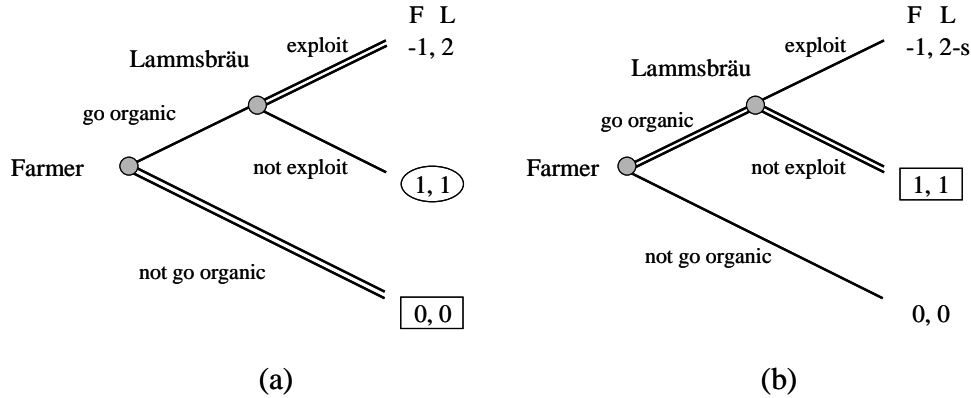


Figure 4: The ordonomic strategy matrix

Given the incentive structure of this one-sided social dilemma, both Lammsbräu and the farmers failed to realize a possible win-win solution. Within the given parameters of this game, it was impossible for Franz Ehrnsperger to achieve his mission of ecological and social change. In this situation, Lammsbräu had an incentive to change the social structure of the interaction. Facing a one-sided social dilemma, Ehrnsperger needed to overcome the collective self-damage by imposing on himself a credible self-commitment (figure 5b) and this is exactly what he did. Today, Lammsbräu offers its farmers long-term contracts that guarantee for five years the amount and the price of organic brewing raw materials that the brewery will purchase. In addition, the price Lammsbräu pays is 10–15% higher than the market price the farmers would receive for conventional raw materials. Moreover, Lammsbräu helps its growers reduce the cost of their specific investments by supporting them in the process of going organic. To this end, Lammsbräu pays a professional agricultural engineer to assist the farmers not only with regard to the actual farming challenges, but also in the auditing process for the eco-certification of their products.

These self-commitment strategies of Neumarkter Lammsbräu changed the interactions between the brewery and the farmers. By making Lammsbräu's commitment to organic agriculture credible, they convinced the formerly skeptical farmers to invest in the organic agricultural structures. For the rural community in which Lammsbräu operates, the eco-social enterprise has triggered substantial social change. Today, more than 100 local farmers have gone organic and devote some 4,000 hectares purely to organic brewing material.

(b) Box II represents the case where a social entrepreneur offers a mechanism for individual self-commitment as a service to its interaction partners. In the case of Neumarkter Lammsbräu, the brewery offers such a service for individual self-commitment to its farmers. The one-sided social dilemma that this commitment device solves is in a way a mirror image of the social dilemma described in Box I, but in this case, it is not Lammsbräu that needs to be bound, but each individual farmer. This situation evolved as follows.

Lammsbräu's credible commitment to pay a premium price for organic brewing material made it lucrative for the farmers to sell their products to the brewery. Due to the nature of organic products, there are, however, information asymmetries between Lammsbräu and its suppliers. For Lammsbräu, it is very difficult, if not impossible, to know whether the raw material it receives really fulfills the high-quality standards it demands. To a certain extent, Lammsbräu needs to trust that the farmers are honoring the agreed-upon ecological principles in the farming process. Consequently, each farmer could exploit Lammsbräu by simply adding conventionally cultivated raw material to the organic material sold at the premium price.

This incentive structure threatened to destabilize the cooperative interaction between Lammsbräu and its farmers. In an extreme case, the ensuing (nonorganic) quality of the brewery's products could destroy its organic business model and both the brewery and the farmers would be worse off. As a result, each farmer has an incentive to make a credible commitment that his or her products really do comply with the standards for organic crops. Small farmers, however, often do not have the expertise or resources to have their production process monitored, audited, or even eco-certified.

Neumarkter Lammsbräu solved this one-sided social dilemma by offering its organic contract farmers a service that makes their individual commitment credible. The brewery organizes the monitoring process, sends a Lammsbräu employee to each farm, and evaluates the quality of the organic farming process. The monitoring costs are borne by Lammsbräu, and, no doubt, are substantial, but the monitoring process makes the farmer's commitment to organic agriculture credible. It creates a social structural incentive scheme that allows all participating stakeholders to invest in the value creation process for organic products.

(c) Box III depicts the case where a social entrepreneur offers a device for collective commitment as a service to its interaction partners. In the case of Neumarkter Lammsbräu, such a commitment service helped overcome a many-sided social dilemma on the side of the farmers. Figure 6a illustrates the incentive structure of this situation.

Because Lammsbräu credibly promised to pay a premium for organic brewing material, ecological agriculture became a possible new and lucrative market for the farmers. As a group, the organic farmers had a common interest in seeing that this market came into existence. At the same time, however, the farmers had conflicting individual interests. Each farmer feared that competition from the other farmers would drive down prices in the long run. Also, the farmers worried that their competitors might not honor the sometimes costly standards for organic agriculture to the degree desirable. In fact, each farmer had an incentive to undercut the costly organic standards as much as possible, thus creating pressure on others to do likewise. In total, interdependencies between the farmers created significant uncertainty that threatened to keep the farmers from going organic.

In this situation, the farmers had a shared interest in going organic as a group, monitoring each other, and negotiating prices with Lammsbräu collectively. However, as pointed out by Mancur Olson (1965), organizing a collective interest is subject to free-rider problems and is rarely easy. Figure 6a illustrates that the conflicting individual interests kept the farmers locked in a many-sided social dilemma. For each farmer, it was rational not to cooperate—even though the group would be better off if everyone cooperated. What was needed, therefore, was a collective self-commitment that committed all farmers to an arrangement allowing them to realize their common interests.

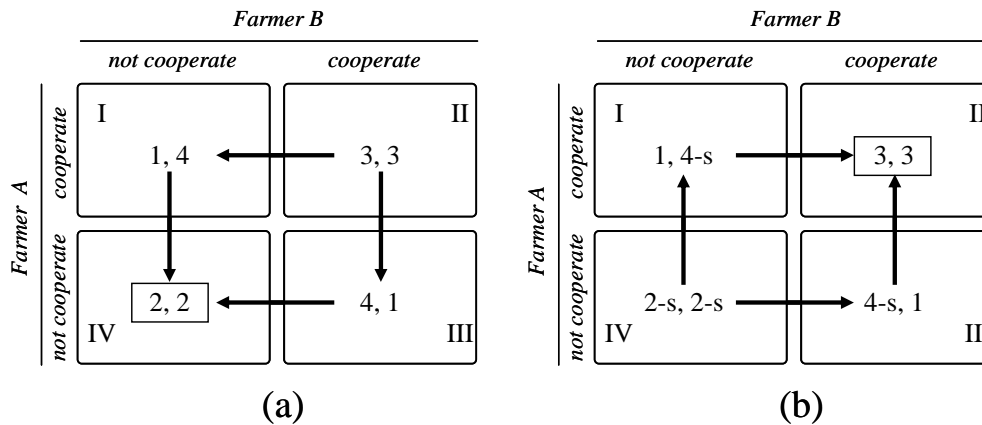


Figure 4: The ordonomic strategy matrix

In the case of Neumarkter Lammsbräu, the farmers did not have the resources to create such a collective self-commitment. However, Franz Ehrnsperger, also, had an interest in the farmers organizing themselves and thus adding stability to provision of organic material. Ehrnsperger thus therefore the farmers a service for collective self-commitment. In 1988, Neumarkter Lammsbräu initiated the “Growers Association for Organic Brewing Raw Materials” (EZÖB) and required all then organic contract farmers to join this association. The EZÖB was an important institutional innovation that solved a number of problems that were keeping the eco-social enterprise from meeting its full potential. First, the EZÖB now negotiates the framework contract between Lammsbräu and the growers and thus decides on the sales volumes and sale prices for the organic brewing raw material. Thanks to this collective commitment, the farmers no longer need fear that their specific investments will be devalued by competition driving down prices. Second, the EZÖB obliges all members to honor strict standards of organic agriculture. It thus helps the farmers to uphold high-quality standards as a group. Third, Lammsbräu requires that any grower wishing to become an organic contract farmer for the brewery must join the EZÖB. Farmers who leave the EZÖB forfeit their contract with Lammsbräu. By helping set up the EZÖB and making membership in it compulsory for its suppliers, Lammsbräu solved the free-rider problem on the side of the farmers. It is now rational for each farmer to cooperate with the other farmers through the EZÖB. Providing this service for collective self-commitment thus proved to be an important catalyst for structural change toward sustainable agriculture in the region.

(d) Box IV represents cases where a social entrepreneur enters into a collective self-commitment with other actors. This case is of particular importance because in many instances an individual social entrepreneur does not have the means to address an important challenge alone. In fact, partnerships and alliances are crucial for promoting sustainable social change. Also, in many cases, a moral first-mover might not obtain any individual advantage by his or her action and, worst case, could be exploited because of the self-commitment. In these instances, collective self-commitments are needed to “bring on board” other partners and, in particular, other competitors.

Neumarkter Lammsbräu has made use of collective self-commitments to address challenges it, as well as other pioneering enterprises, has faced in the organic food sector. When, in 1980, Franz Ehrnsperger decided to work toward a sustainable business model that creates local jobs and furthers ecological objectives, organic products were still little known in the German food market. In the early years of his new business model, Lammsbräu capitalized on its local reputation. By the 1990s, however,

Ehrnsperger wanted to increase the scope of his market. Unfortunately, though, the market for organic products at that time was still rather small and undeveloped. Thus, Neumarkter Lammsbräu had an incentive to invest in raising public awareness of organic products. Such marketing, however, is costly. What is more, it is also a public good, as it has the side effect of benefiting other companies engaged in producing organic products. In short, this is a classic example of the free-rider problem.

Neumarkter Lammsbräu decided to address this free-rider problem by cooperating with other businesses in its sector. In 1994, Lammsbräu founded the “Association of Organic Food Producers” (AÖL) in conjunction with the HIPP company and Ludwig Stocker Hofpfisterei. AÖL’s goal is to develop joint strategies for pricing, product, communication, and distribution policies. Today, the AÖL has more than 60 members in Germany and Europe, with a total annual turnover of more than 1.3 billion Euros in 2008 for these members. Both on the national and European level, it promotes organic food and farming. At present, Neumarkter Lammsbräu is using its membership in the AÖL to develop a market for GMO-free, organic food products.¹⁶

(3) The Neumarkter Lammsbräu example demonstrates the logic of mutually advantageous commitments. It shows that the strategy matrix derived from the ordonomic perspective is a useful tool for making sense of what social entrepreneurs do in practice. It substantiates the claim that social entrepreneurs can use the sophisticated management of functional commitments to overcome social dilemmas and create win-win solutions to them. The *social* dimension of these strategies lies in their ability to realize important social or ecological objectives. In the case of Neumarkter Lammsbräu, institutional innovations have transformed not only the brewery itself but also the entire supply chain and its local environment. As an eco-social business, Neumarkter Lammsbräu has proven to be a true innovator and an agent of social change.

The Neumarkter Lammsbräu case also illustrates the *entrepreneurial* side of social entrepreneurship. Social entrepreneurship is not about playing a given game better; it is about playing better games. In each of the situations discussed above, Neumarkter Lammsbräu did not simply try to optimize its individual moves within a given game, it worked to change the rules of the game (in effect, making a new, better game) and thus was able to achieve win-win outcomes for all stakeholders.

4. Social Entrepreneurship, Corporate Citizenship, and Business Ethics

In academic discussions of social entrepreneurship, a frequent topic is the question as to how, or even whether, the concept of social entrepreneurship can be distinguished from other concepts in the fields of business and society, business ethics, or management. From an ordonomic perspective, this is a particularly interesting question. The ordonomic approach to social entrepreneurship developed in this article maintains that social entrepreneurship is highly relevant to the innovative management of social dilemmas. Yet, as discussed by Pies, Hielscher, and Beckmann (2009), there is also an ordonomic approach to corporate citizenship that is very similar. Therefore, the remainder of this article is a discussion of the relationship between social entrepreneurship and corporate citizenship.

According to ordonomics, social entrepreneurship and corporate citizenship are strikingly similar in a number of ways. First, both concepts can be understood as semantic

¹⁶ See also <http://www.aeol.org>

innovations that rest on a strong *win-win* orientation. Social entrepreneurship and corporate citizenship both decry the win-lose mentality of zero-sum thinking and focus, instead, on strategies for creating positive-sum games.

Second, the ordonomic perspective highlights that both social entrepreneurs and corporate citizens can systematically create win-win solutions if they manage to overcome social dilemmas. Functional commitments are needed to overcome social dilemmas, which is why both social entrepreneurship and corporate citizenship focus on the innovative *management of functional commitments*. In fact, the four paradigmatic strategies displayed in Figure 4 can be viewed as a strategy matrix for social entrepreneurship and corporate citizenship alike.

Third, the ordonomic perspective sees both social entrepreneurship and corporate citizenship as aspects of *new governance*. The concept of new governance focuses on the development of rule-making and rule-implementation processes that are “no longer ... task[s] managed by the state alone” (Scherer, Palazzo, and Baumann 2006, p. 505). In the new governance, businesses, civil-society organizations, and social enterprises are no longer merely rule-takers who simply seek to optimize their individual moves in the given game; rather, private actors contribute to setting and implementing rules and thus participate in the creation of new societal games. This process is almost a definition of social entrepreneurship and corporate citizenship. Both social entrepreneurs and corporate citizens create and realize win-win outcomes through their contributions to the societal governance.

The similarities between social entrepreneurship and corporate citizenship are remarkable, but there is also one important difference between the two. Corporate citizenship involves the way a for-profit business pursues its corporate objective of profit maximization under the new governance. Given its fiduciary responsibility to shareholders, the starting point of any business venture is the pursuit of profits. In competitive markets, however, a company will realize profits only if it creates value for its stakeholders.¹⁷ If a business firm cannot create value for its customers, suppliers, employees, and debtors, it will soon not have any customers, suppliers, employees, or debtors. In short, it is profit that motivates firms to create win-win outcomes for society. In a free-market economy, profits signal that a company has succeeded in creating such win-win outcomes. Yet, in a number of instances, win-win outcomes are not possible within the given, deficient rules of the games. In these cases, corporate citizens can react to societal problems and help improve the rules of the game in a way that allows them to create value. Put differently, it is the goal of making a profit that motivates corporate citizens to think about the needs of their stakeholders, to search for innovative strategies of self-binding and commitment services geared toward mutually advantageous reforms, and thus to play an active role in new governance processes. In short, corporate citizenship is business entrepreneurship in the age of new governance.

In contrast, social entrepreneurship begins from a fundamentally different starting point. The fundamental and initial driver for social entrepreneurship is not the realization of profits, but the solution of a social or ecological problem. By this logic, social entrepreneurs do not try to maximize their financial return, but seek to maximize their social impact. However, in order to maximize this social impact, social entrepreneurs need to create a sustainable “business model.” If social entrepreneurship wishes to promote social change, it needs to create social value in a way that will proliferate on a

¹⁷ Cf., for example, the classical argument put forward by Mises ([1951], 2008). For a present-day position, see Jensen (2002; p. 239).

broader scale. Indeed, many social entrepreneurs see the epitome of success as being that their “business model” is so attractive that other entrepreneurs copy it. A number of social entrepreneurs have even developed a franchising system. Take the example of Andreas Heinicke’s “Dialogue in the Dark,” which started in Frankfurt in 1988 and has been marketed worldwide as a franchise since 1996. Thanks to this scaling up, more than 4,000 blind people living in more than 160 cities across 19 countries have been empowered. As of 2009, more than 6 million people had experienced Dialogue in the Dark.¹⁸

Scaling up a social entrepreneurship venture increases its social impact, but it also means a need for more resources, such as money, knowledge, or volunteer time. As a consequence, only those social entrepreneurs whose business model generates sufficient resources can scale up their projects—whether those resources are accumulated through earned income, public grants, donations, or private social venture capital. In a free society where people and organizations exchange freely, a social enterprise will attract these resources only if it, too, creates value for those with whom it cooperates. This is why social entrepreneurship needs to create win-win scenarios in order to maximize its impact. Only through the creation of value can social entrepreneurs really generate a sustainable social impact.¹⁹

Comparing social entrepreneurship and corporate citizenship thus results in an interesting and fundamental insight: corporate citizenship and social entrepreneurship have very different points of departure, namely, the maximization of profits for corporate citizenship and the maximization of social impact for social entrepreneurship. However, in pursuing these very different objectives, the two approach a point of convergence—namely, the win-win logic of mutually advantageous value creation. In the end, the often-stressed difference between “mere profit-seeking” and “social objectives” seems not to be such a vast chasm after all. From a societal point of view, business and social entrepreneurship have a common *raison d’être*: both solve social problems by creating value.

Business ethics theory could learn an important lesson from this conclusion. Business ethics is an academic discipline that critically reflects upon the (normative) semantics with which we perceive, explain, and evaluate our social world and, in particular, the business and the market society. Perhaps business ethics should ask whether our semantic notions do justice to the actual real-world structure of social problems. From an ordonomic perspective, it is no surprise that the semantics of corporate citizenship and the

¹⁸ See <http://www.dialogue-in-the-dark.com/about/history-founder/> as of October 15th, 2009.

¹⁹ Note again that this assertion does not mean that a successful social enterprise necessarily needs to earn a profit. Take, for example, the case of social entrepreneur Peter Eigen, who founded the not-for-profit civil-society organization Transparency International (TI). The starting point for Eigen was the social problem of corruption. He reacted to the fact that in the economic, political, and bureaucratic basic game, corruption is a highly undesirable outcome with devastating consequences for society. In the meta-meta game of discourse, Transparency International not only creates awareness of this problem, it also points out that there is potential for a win-win solution for governments, bureaucracies, and, above all, companies who take up the fight against corrupt practices. Most importantly, Transparency International works to change the rules of the game by playing a constructive role in rule-setting meta-games. TI’s instrument, the “Integrity Pact,” for example, a tool aimed at preventing corruption in public contracting, helps other actors play a better game. Ordonomically speaking, by way of the Integrity Pact, TI offers a service for collective self-commitment to players who otherwise have difficulties binding themselves. The point is that this commitment service creates value for those stakeholders—including the companies—whose cooperation is imperative for achieving TI’s mission. Without this ability to create social value for the relevant stakeholders, TI’s anti-corruption activities would not have had the success and social impact that they actually have.

semantic innovation of social entrepreneurship both ultimately emphasize the importance of mutually advantageous value creation. In the social structure built out of competitive markets and freely cooperating individuals, the win-win creation of value is an absolute necessity for any enterprise to be sustainable. Against this background, the preoccupation of the business ethics fields with the dichotomy between profit and morality, stakeholder and shareholder value, and ecological and economic objectives appears misguided. Business ethics might be well advised to look at these concepts from more of an “and” perspective, instead of an “or” one. Profit and morality? It is conceivable.

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