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Passion and compassion as strategic drivers for sustainable value creation: An ordonomic perspective on social and ecological entrepreneurship

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Passion and Compassion as Strategic Drivers
for Sustainable Value Creation: An Ordonomic
Perspective on Social and Ecological
Entrepreneurship

Diskussionspapier Nr. 2012-22

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Abstract

Passion – in the sense of fervent commitment to action – and compassion – understood as sensitive openness for social and ecological concerns – are not a sure formula for business success. Whether social or ecological entrepreneurs, who find themselves under pressure from market competition, experience advantages or disadvantages, depends crucially on the level at which passion and compassion are brought into play. Competitive advantages are possible if entrepreneurial innovators engage in rule-finding discourses and in rule-setting processes that aim at setting free a previously neglected potential for value creation. To illustrate, this article makes use of a case study in order to elucidate the ordonomic 4-box-matrix, which is a valuable orientation tool for strategic management.

Keywords: Social Entrepreneurship, Value Creation, Stakeholders, Social Dilemmas, Sustainability, Strategic Management

JEL Classification: M14, M21, M40, Q56

Kurzfassung

Leidenschaftliches Engagement („passion“) und Mitgefühl im Sinn einer besonderen Sensibilität für bislang vernachlässigte Anliegen sozialer oder ökologischer Art („compassion“) sind keine Garantie dafür, dass Unternehmen im Marktwettbewerb erfolgreich bestehen können. Ob sie sich positiv oder negativ auswirken, hängt davon ab, ob es Unternehmen gelingt, passion und compassion in Regelfindungsdiskursen und Regelsetzungsprozessen zur Geltung zu bringen, die darauf abzielen, bislang unausgeschöpfte Wertschöpfungspotentiale innovativ freizusetzen. Hierfür wird anhand einer konkreten Fallstudie die ordonomische Vier-Felder-Matrix illustriert, die dem strategischen Management eine wichtige Orientierung zu bieten vermag.

Schlüsselwörter: Social Entrepreneurship, Wertschöpfung, Stakeholder, Soziale Dilemmata, Nachhaltigkeit, strategisches Management

JEL-Klassifikation: M14, M21, M40, Q56

Passion and Compassion as Strategic Drivers for Sustainable Value Creation: An Ordonomic Perspective on Social and Ecological Entrepreneurship

Markus Beckmann, Ingo Pies and Alexandra von Winning

Following the UN Report of the World Commission on Environment and Development (Brundtland 1987), the term “sustainability” has been established on a world-wide scale to denote the search for long-term solutions that take care of the economic, ecological and social dimensions of societal problems. In the same time, “social entrepreneurship” has evolved as a topic of academic inquiry that receives increasing attention. Much of the literature on social entrepreneurship that has emerged from mainstream management or entrepreneurship scholarship has focused on the question of what social entrepreneurs can learn from established business theory and practice (cf. Short, Moss and Lumpkin, 2009). This paper takes a rather different perspective and looks at how the dynamic domain of mission-driven entrepreneurship offers interesting insights that are relevant not only for social entrepreneurship but also for business entrepreneurs. Mission-driven social entrepreneurs often show high degrees of passion and compassion towards their stakeholders and their social and environmental concerns. This paper looks at the important function passion and compassion can play for profit-oriented entrepreneurship that aims at innovative market solutions which provide social as well as ecological improvements.

The key claim of our paper is that passion and compassion can be strategic drivers for enabling, organizing, and realizing sustainable value creation. However, both from a management perspective and from an ethical point of view, passion and compassion are not necessarily always useful to achieve desirable results. In effect, the naïve and direct translation of passion and compassion into management practice might lead to unsustainable and even highly undesirable results. Drawing on the theoretical perspective of ordonomics, we present a conceptual framework that helps to understand and to manage this ambivalence. We then illustrate this framework by showing how a real-life eco-social entrepreneur uses passion and compassion as critical drivers for value creation. From an ordonomic perspective, such social entrepreneurs do not try to directly translate their passion and compassion into more (com)passionate individual moves within a given game. Rather, the entrepreneurial dimension of social entrepreneurship lies in innovative strategies that change the very game through adequate meta games. Passion and compassion can play a functional role in these meta games. While passion helps to clarify and voice one’s own vision of value creation, compassion is a powerful asset when it comes to understanding the interests and needs of other stakeholders. At the same time, passion and compassion can help to establish functional commitments that overcome undesirable social dilemmas.

We develop our argument in four steps. The first step introduces the three-tiered conceptual framework of the ordonomic perspective. Here, we distinguish between the basic game of value creation, the meta game of entrepreneurial rule-setting, and the meta-meta game of rule-finding discourse.

The second step uses this framework to identify when and why the naïve reliance on passion and compassion runs the risk of causing more harm than good. From an ordonomic perspective, passion and compassion can be dysfunctional or even potential-

ly destructive if one tries to translate them directly into particularly (com-)passionate individual moves within the given basic game of business. Such behavior might be well-intended but, accidentally, threatens to erode a company's social function of mutually advantageous value creation.

The third step then changes the perspective and uses the three-tiered ordonomic perspective to answer the question of when passion and compassion do play a beneficial role, both from an ethical perspective and from a management point of view. We argue that passion and compassion are highly relevant and play a productive role for value creation; yet not on the level of the basic game but on the meta-meta game level of rule-finding discourse and on the meta game level of rule setting. Here, aimed at improving the governance structure of economic behavior, passion and compassion can provide powerful win-win heuristics for finding and creating hitherto untapped potentials for value creation.

In the fourth step we look at the case of a real-life eco-social entrepreneur—a bio-pioneer in the production of organic beer—to illustrate how passion and compassion can be translated into institutional innovations that change the way stakeholders interact in the basic game of value creation. Here, we show that such win-win institutional innovations can be reconstructed as the sophisticated management of social dilemmas. We then sketch a strategy matrix for the practice of social entrepreneurship and distinguish four paradigmatic strategies social entrepreneurs can employ to blend passion and compassion into sustainable win-win scenarios by changing the rules of the game.

The article ends with a short summary and some concluding remarks.

1. THE THREE-TIERED CONCEPTUAL FRAMEWORK OF THE ORDONOMIC APPROACH

In this article, we draw on the theoretical perspective of “ordonomics”. Ordonomics is understood to be a scientific approach to analyzing the interdependence of individual actions, social order (the Latin “ordo” meaning “order”) and semantics. It evolved from an interdisciplinary school of thought that regards modern business ethics as an economic theory of morals and therefore makes use of economic tools, i.e. game theory and rational-choice analysis. The development of ordonomics can be traced by the publications of Homann and Pies (1994), Pies (1993), (1998), (2000a), (2000b), (2008), Pies, Hielscher and Beckmann, (2009), Beckmann (2009) Pies, Beckmann and Hielscher (2010), (2011) as well as Hielscher, Pies and Valentinov (2012).

The term “ordonomics” is used for the first time in Pies (2007). It consists of a terminological combination of two words, “ordo” being the Latin word for “order” and “nomos” being the Greek word for “law”. In analogy to the term “economics”—a combination of “oikos” and “nomos”—being the theory of the laws of the economy, the word “ordonomics” aims at formulating a theory of the laws of social orders. Drawing on the Kantian idea that freedom results from following reasonable rules, and drawing on the elaboration of this idea in the German Social Market tradition of “ordoliberalism”, “ordonomics” takes the perspective that the evolution of modern society largely depends on constitutional learning processes which allow for a co-evolution of institutions and ideas.

The basic assumption of orthonomics is that players' decisions and (inter)actions (Level 1) are not solely influenced by their wants and needs, but systematically depend on the social structure they are embedded in. According to orthonomics, "social structure" is defined as formal and informal institutional arrangements, which are the result of a longstanding evolutionary process. This evolutionary process is driven both by the aggregate of individual (inter)actions as well as by the human intent to influence social structure in a political process (Level 2). Orthonomics argues that the course of social structure's evolution depends largely on "semantics", denoting the terminology and the ideas as well as the underlying thought categories that shape public and organizational discourse (Level 3). Semantics then refers to the socially relevant ideas that are driven by conscious or unconscious theories, alternatively called "mental models" (Denzau and North, 1994), the results of "framing" (Kahneman and Tversky, 2000), our "search-lights" (Popper, 1972), "heuristics" (Lakatos, 1978) or "paradigms" (Kuhn, 1962). From a social science and management perspective, semantics is important because it channels how people perceive, describe, and evaluate social phenomena and, in particular, social interactions, conflict, and cooperation.

To summarize, we can state the basic concern of the orthonomic research program to be the systematic exploration of interdependencies between institutions and ideas or, more specifically, the analysis of interdependencies between "social structure" and "semantics."

Figure 1 illustrates the conceptual framework of the orthonomic perspective that we think to be useful for looking at the role of passion and compassion in entrepreneurship. To conceptualize the social interplay between ideas, institutions, and interactions—be it within an organization or within society at large—the orthonomic approach reconstructs the social sphere as an arena of three interdependent games. Hence, it distinguishes between the following three levels: The basic game of social (inter)action (Level 1), the meta game of rule-setting processes (Level 2), and the meta-meta game of rule-finding discourse (Level 3).

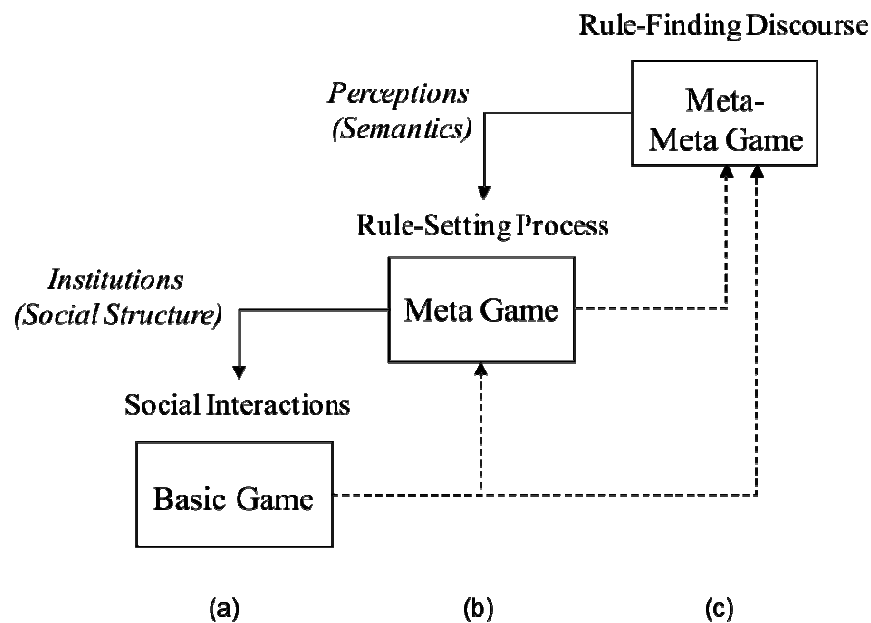


Figure 1: The three-tiered conceptual framework of the orthonomic perspective

I.a *The basic game of social interaction*

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 incentives and opportunities (Becker 1976, 1993; Coleman, 1990).

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 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, 2010). 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”, since they 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, result from rational actions of individual players in the basic game.

From an ordonomic perspective, the 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 determines 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 situational logic (Popper, 1966: 89-99). If asked about their actions leading to undesirable social results, the players involved may answer that it is difficult for them to change the result of interaction, simply because individual payoffs are more advantageous, if following individual goals than if following social goals, given the basic rules of the status quo. On a side note, that will be explored further in Section II: An insight from this interdependency of individual actions and social results is that compassion—in this case contributing to a desirable social outcome in spite of lower individual payoffs—can systematically lead to having to choose between individual and social goals, which seem to be contradicting each other.

I.b *The meta game of rule-setting processes*

The argument we put forward in this section is that while the social order guiding individual (inter)action explained above is largely the result of a longstanding evolutionary process, players may try to change these rules if they regard the social outcome to be unacceptable. 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 of

negotiating new rules are important because they allow the players to establish institutional incentives 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. Following the distinction between “choices within constraints” and “choices among constraints”, the ordonomic approach strongly builds on the perspective of constitutional economics as advanced by James M. Buchanan (1987, 1990).

This said, the above explanation makes the meta game of rule-setting processes sound easier than it is. Rules that have partially evolved over tens, hundreds or even thousands of years are difficult to change. The success of this endeavor depends on whether effective strategies are used to tackle systematically different forms of social structures. In this regard, ordonomics differentiates between two different types of problems that will be explained in detail and with the help of a case study in section IV.b. The two types of problems addressed by ordonomics are two paradigmatic types of dilemma structure: one-sided and many-sided. The one-sided dilemma structure allows a single player to change the basic rules of the game on his own, whereas the many-sided dilemma structure—found in most cases involving competition—depends on all players involved collaborating in the rule-setting process, even though they are antagonists in the basic game of interaction.

The arena for the meta game of rule-setting processes is not only restricted to constitutional political processes. A new arena is created when one or more people are unsatisfied with a certain aggregate result of social interaction and aim at tackling this problem, be it on a Federal State level, in a soccer club, within a company or within the family. But within all these arenas it is still important to analyze the type of underlying social dilemma before developing strategic institutional solutions. Let us illustrate the difference between the two types of paradigmatic dilemma structures by using exemplary issues emerging in business life.

Let us assume that a company is trying to market an innovative product. The new quality has a strong private-good component. Let us further assume that the new product is healthier and a little more costly than rival products already on the market. In principle, numerous customers would be willing to pay the higher price. However, they might be reluctant in believing the promise that the new good is healthier. As long as this problem is unsolved, there is a social dilemma: a win-win potential that cannot be realized. A possible solution might be a warranty or a certificate, i.e. a costly signal that makes the company’s promise credible. This would be an example of an individual commitment to overcome a one-sided social dilemma.

If the innovation has a strong public-good component, customers would not show a willingness to pay for the new product. This would make it difficult for all companies in the industry to recover the additional cost for the new product, thus inhibiting innovation. In such a case, the companies would find themselves in a many-sided dilemma: If all firms joined in simultaneous innovation, they would have no difficulty in passing the additional cost on their customers with experiencing competitive disadvantage. However, since a single innovator would experience a competitive disadvantage, the group of firms will not innovate until they decide to take collective action, e.g. by negotiating an industry standard or by lobbying for a legal prescription that requires all firms to innovate. The crucial point here is that an individual commitment by a single firm would not

solve the problem. In order to overcome a many-sided social dilemma, it is necessary to institutionalize a collective commitment that comprises all competitors.

I.c The meta-meta game of rule-finding discourse

As explained above, to change the rules of the 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 thus the voluntary collaboration of diverse players. Yet, ordonomics—being based on rational choice theory—assumes 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 each of 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 an arena for 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 voluntary cooperation between players is largely dependent on how they perceive the situation, each other, and their relationship. For example, it makes a significant difference whether the players perceive their situation as a zero-sum game or as a precarious positive-sum game (Schelling, 1980). 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 sustainable solutions. Similar to situational incentives as the institutional order (or social structure) shaping interaction, the situational mind-set as the intellectual order of ideas (or semantics) is a frame that shapes our thoughts and perceptions. Discourse is thus important in defining the relevant problems and even more crucial to developing a shared understanding of the common interest in addressing these problems and their often economic, social and environmental dimensions.

II. PASSION AND COMPASSION AS POTENTIALLY HARMFUL INPUT IN THE BASIC GAME OF BUSINESS

When do passion and compassion run the risk of creating negative repercussions and should, therefore, be viewed with great caution? Our answer is this: For an enterprise that is confronted with market competition, passion and compassion are highly ambivalent and can cause negative effects if the idea is to simply understand passion and compassion as some sort of corrective for changing one's individual *moves in a given basic game*. In the *basic game*, passion and compassion might then prove to be unsustainable and even to be dysfunctional—for *all* players involved. This claim might sound counter-intuitive at first sight. To explain its underlying argument, we need to look at the function and the logic that drives the basic game of business entrepreneurship within markets.

Critics of the market system and of business enterprises sometimes decry that companies and their managers only focus on profits (Ulrich, 2008). Instead, the criticism goes, managers should 'dare to care' and should place passion and compassion *above*

the anonymous profit principle. We hold that this line of thinking is flawed, especially if one looks only at the level of the basic game. From an ordonomic perspective, it is critical to bear in mind that business has an important societal function, and that is *value creation*. As already pointed out by Mises (1996, 2008), companies are agents with a societal mandate to create value for consumers and, as an important extension to von Mises's standpoint, for other stakeholders as well.

The *basic game* of business is then the principal arena where the company creates value *directly*. This 'game' comprises the day-to-day operational business, including the production of goods and services, research and development, innovation, and the efficiency-oriented management of scarce resources. In this basic game, contrary to widespread misperceptions, cooperation is not the exception, but the norm. Customers, suppliers, shareholders, debtors, and employees are all free to enter into exchange with a company or not. The individual decision to cooperate on a voluntary basis is a strong indication that each party expects to benefit from the exchange. At this level, 'win-win' scenarios are not a romantic ideal, but a prerequisite for staying in business (Mackey, 2006).

Seen from this perspective, profit is an epiphenomenon of successful value creation. As Jensen (2002: 239) argues, social "value is created when a firm produces an output or set of outputs that are valued by its customers at more than the value of the inputs it consumes (as valued by their suppliers) in such production." Profit signals that the interactions in the basic game have created a surplus of value. So how are profits related to the societal purpose of business? Milton Friedman (1970) famously argued that the "social responsibility of business is to increase its profits." We prefer a somehow different take. Our point of departure is that the social responsibility of business is to create *value* for society. From a societal—and, arguably, from an ethical—point of view, profits do not have any intrinsic value, but only an (important!) instrumental value. Profitability is a powerful motive for companies to fulfill their societal mandate of value creation.

So what do these reflections have to do with the role of passion and compassion in business entrepreneurship? True enough, there are many shortcomings of the current market system. In fact, there are many urgent needs, both social and environmental, that are currently unmet. Take the case of enduring poverty, endemic corruption, or environmental degradation. These problems show that the current business basic games often fail to create full value for society. In this situation, it seems tempting to call for more passion and compassion in management. Yet, if one tries to implement passion and compassion directly and looks only at the basic game, then the reliance on passion and compassion ultimately amounts to curbing and limiting the role of profits.

The point is that the call for passion and compassion to 'tame', 'restrain' or 'refine' the profit principle runs the risk of undermining the value creating function of business. Companies which, say, care about the problem of poverty and which are compassionate to the poor would sacrifice their profitability if they decided—within the *given* basic game—to give away their same products or services at lower prices than the costs to produce them. This would not only be undesirable from a management perspective. In the long run, it would erode the company's societal function to create value and thus be dysfunctional for the whole market system.

The expression of passion and compassion through solitary heroic moves within the given—and often deficient—basic games would simply be not sustainable (cf. Baumol 1975). Take the example of companies that are stuck in a quagmire of corruption (cf.

Eigen, 2006; Shleifer and Vishny, 1999). In the case of endemic corruption, companies are collectively trapped in a social dilemma. It is a *social* dilemma not because the companies cause harm to society in general, but because they also collectively harm each other. Endemic corruption amounts to collective self-damage for the companies involved—they are forced to pay expensive bribes, they run the risk of serious damages to their reputation, they live in fear of judicial sanctions—while at the same time no individual company is likely to gain any competitive advantage as all firms in its sector are engaged in corrupt practices. In this case, the “basic game” of business competition is heavily characterized by perverse incentives. Consequently, individual profit maximization *within* the existing rules of the basic game does not enable companies to adequately fulfill their societal function of value creation. Yet, at the same time, a strong passion for integrity would fail to fight corruption effectively if a company simply changed its individual moves within the given basic game. If a company were content with its individual decision to refrain from corruption, it would run the risk of suffering severe competitive disadvantage without even coming close to solving the social dilemma of endemic corruption at the group level. An individual commitment is not enough. A sustainable solution requires a collective commitment: a change of the rules of the game. In the case of corruption, companies could bring about such a change of rules for example by collaborating with civil society-partners to set up industry “integrity pacts” (Eigen, 2006; Ruggie, 2007). Here, a sustainable solution requires a joint arrangement for the whole industry in order to prevent that market competition leads to a disadvantage for actors that behave in accord with moral integrity.

The case of corruption shows that institutional reforms can help to overcome a race-to-the-bottom competition in the basic game. Yet, this very approach requires leaving the basic game in the first place. Within the given game, management can only express passion and compassion through more ‘(com)passionate’ individual *moves*. Value creation, however, is the result of *social interaction*. The quality of social value creation therefore hinges upon the quality of the common *rules* of the game. Managers and companies who dare to care are therefore well-advised to direct their passion and compassion towards levels 2 and 3: Instead of being content with changing one’s own behavior with regard to level 1, it is prudent to engage in playing constructive meta and meta-meta games that lay the groundwork for playing better basic games. The next two sections show how social entrepreneurs do exactly this: they use their passion and compassion to change the rules of the game and thus to make possible a sustainable value creation.

III. SOCIAL ENTREPRENEURSHIP FOR SUSTAINABILITY: PASSION AND COMPASSION AS POWERFUL HEURISTICS FOR INNOVATIVE RULE FINDING AND RULE SETTING

Social entrepreneurs manage to combine commercial with overtly social as well environmental missions, a pragmatic outcome-orientation with high ethical standards, extreme organizational flexibility with long-term commitment. They are, in short, the epitome of entrepreneurs who draw on the power of passion and compassion. We argue that social entrepreneurs are able to do that because they have learned not to apply their passion and compassion blindly in the basic game but to understand and to use their

strategic value for playing constructive meta and meta-meta games that aim at fostering sustainability.

III.a Social entrepreneurship and the more-than-profit mission

Although there is still no universal agreement on how to define the concept of social entrepreneurship (Mair and Marti, 2006; 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 games. 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).

To illustrate, take the work of three well-known social entrepreneurs. 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 (Armendáriz and Murdoch, 2007; Yunus, 2007; de Ven, Sapienza and Villanueva, 2007). Andreas Heinecke, 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."¹ Finally, take the case of Aravind Eye Hospital and Aurolab (see Mair and Marti, 2006), 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.

III.b Passion and compassion in the rule-finding and rule-setting meta games

Social entrepreneurs thus 'dare to care.' They direct attention to areas in which the basic social game needs improvement. Yet, social entrepreneurship is not only about increasing awareness of social and environmental problems; rather, it is essentially about creating, organizing, and managing a venture that *addresses* these problems and seeks to engineer sustainable *social change*. How do passion and compassion impact the way they go about achieving social change? Our answer is that passion and compassion powerfully influence their heuristics in a rule-finding discourse and their entrepreneurial leadership in rule-setting.

On the *meta-meta level of a rule-finding discourse*, the underlying normative ideas, goals, or visions significantly influence the way a company argues. Social entrepreneurship differs from conventional forms of business entrepreneurship in the relatively higher priority given to achieving social and environmental goals versus merely optimizing financial performance (Dees, 1998). 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 (Bornstein, 2004; Mair and Marti, 2006; Zahra *et al.*, 2009). What is characteristic of all forms of social entrepreneurship, however, is that a social entrepreneur never defines his mission and never measures his success exclusively in terms of financial profit and return. Put simply, a

¹ See <http://www.dialogue-in-the-dark.com>.

social enterprise is a “more-than-for-profit” organization: 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 Heinecke 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 not only by its own balance sheet but mainly 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 the desire to maximize profits but to improve the workings of the basic game in business, health, education, and other societal domains. Scaling up such a social entrepreneurship venture, however, not only increases its social impact, but 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 generate a sustainable social impact.²

III.c Social entrepreneurship as a semantic innovation

Seen in light of the three-tiered ordonomic framework, the very notion of social entrepreneurship is hence an important semantic innovation in the societal and business meta-meta game of social discourse. Social entrepreneurship takes a social or environmental problem as its starting point and then turns this problem into an entrepreneurial opportunity, thus changing the discourse—the way we think and communicate—about eco-social challenges. It is a win-win way of thinking about societal challenges and, more importantly, it is a win-win direction that guides the search for solving these problems in a sustainable way.

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 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,

² 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 basic game. Ordonomically speaking, by way of the Integrity Pact, TI offers a service for collective self-commitment to players who otherwise have difficulties in 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 the success and social impact that they actually do have.

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 2a is a graphic illustration of this type of thinking. Plotted on the horizontal axis are the interests of disadvantaged people; the interests of the more privileged are plotted on the ordinate. The negatively inclined line in Figure 2a illustrates the notion that there is a tradeoff between these two interests. As denoted by the arrow pointing southeast, this perspective strongly rests on the idea that the only way to help the disadvantaged is for the better-off 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. To put it pointedly, this semantic concept is not about win-win value creation but about (a more equitable) win-lose transfer of value.

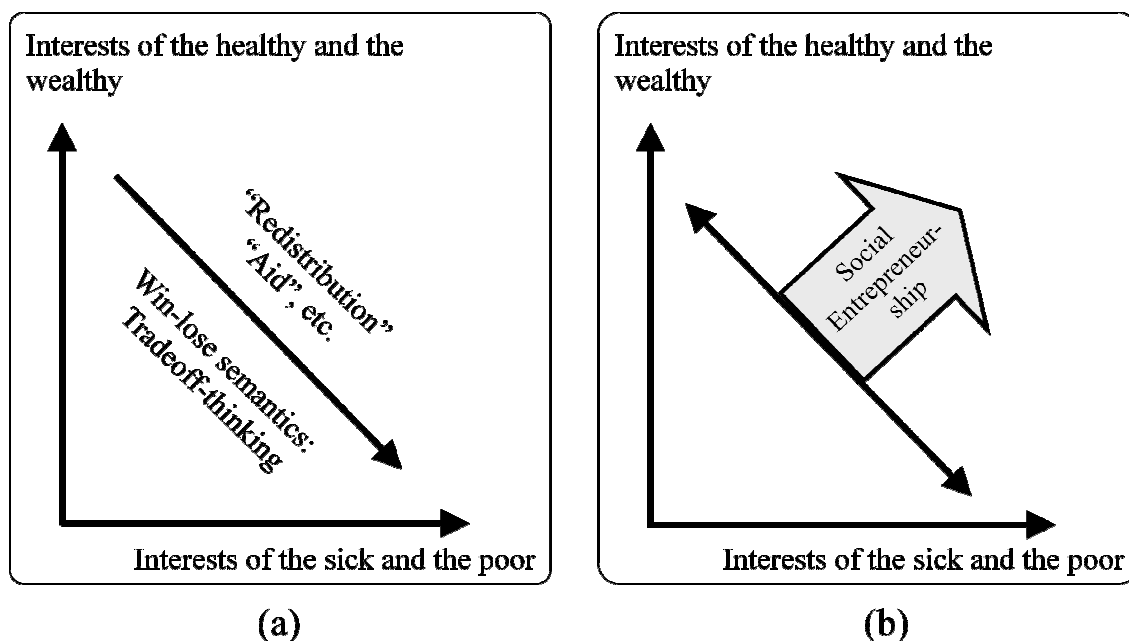


Figure 2: Social Entrepreneurship as a Semantic Innovation

In contrast, social entrepreneurship does not focus on value distribution but on genuine value creation. As a societal win-win perspective, it 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 Heinecke'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 sustainable positive-sum games*. This means, very often, the inclusion of the formerly excluded in the process of societal value creation.

III.d *Passion and compassion as complementary assets for value creation*

The key claim of this section can now be developed as follows: Social entrepreneurs use their passion and compassion as a powerful sustainability heuristics for finding and even creating new win-win-potentials and for setting rules that allow to realize these win-win-potentials. From an ordonomic perspective, such meta games are indispensable for innovative forms of creating value. After all, value creation is a societal process that needs to bring together many and often diverse interaction partners. Finding und even inventing win-win potentials for sustainable value creation therefore largely involves learning about relevant stakeholders, their eco-social needs and interests, their capacities and resources, and also about the way they perceive themselves, each other, and the situation. This is why passion and compassion can play a functional role for sustainable value creation:

Passion is a valuable normative asset for clarifying and voicing one's own identity, needs, and interests. Passion can provide motivation for making others listen to and understand one's interests. Passion provides a heuristic orientation when answering important questions such as: Who are we? What do we stand for? What is our mission? What are we willing to do to achieve this mission? And what are we not willing to do? What is the value we create? What can we offer? What drives us? Social entrepreneurs—but also for-profit companies and their managers—who are passionate about what they do will be much better prepared to communicate in processes of rule-finding discourse what is important to them. Cooperative value creation requires that the stakeholders of an enterprise understand the company's point of view in their own language. Passion can be an important motivation for putting this necessary 'translation work' into practice.

Compassion is an important normative asset for translating the interests of others into one's own language and mindset and thus for understanding what hinders them from cooperating.³ It is a prerequisite for finding and implementing rules that enable passion to change reality because compassion helps understand the goals embedded in passion and to foster it by making cooperation manageable. Only understanding the interests of other stakeholders makes it possible to create new rules that are acceptable to all parties involved and thereby to facilitate social cooperation.

Whereas passion is a critical driver for communicating one's own interests and making oneself heard, compassion is an important asset for translating the interests of others into one's own language and mindset. Again, the success of any business or social enterprise depends on its ability to create value by organizing social cooperation. Accordingly, entrepreneurs need to develop the ability to enter into an exchange of ideas with all the actors relevant to the value creation process—investors, employees, customers, suppliers, and also critical (civil) society actors—so that the organization is sensitive to different (and sometimes even incommensurable) views and concerns. In such a dialogue, the different stakeholders often speak quite different 'languages.' Against this backdrop, compassion is key to effective listening, to empathize, and to identify shared interests and complementary needs.

³ The idea of compassion being a necessary tool to enable social cooperation can be traced back to David Hume (1751, 2009). A translation of Hume's work into the language of ordonomics and social entrepreneurship can be found in von Winning (2009).

IV. THE SUSTAINABILITY CASE OF NEUMARKTER LAMMSBRAEU: PASSION AND COMPASSION AS DRIVERS FOR INSTITUTIONAL INNOVATION

The previous section has discussed how passion and compassion can facilitate a win-win orientation in the meta-meta game of rule-finding discourse and the meta game of rule setting. We explained that, from an ordonomic point of view, these two meta games are the systematic arenas for creating sustainable win-win solutions to eco-social problems (Figure 1). Passion and compassion in the meta-meta game of rule-finding discourse can lead to a fully sustainable impact on the very basic game only if the passionate focus on value creation 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.

This section aims at illustrating the above ordonomic approach by showing how Neumarkter Lammsbraeu not only dreamt up win-win solutions, but also *implemented* them—by incorporating passion and compassion through institutional innovations that actually change and improve the basic game of value creation. A note in advance: From the perspective of ordonomics, a case study can only be a case study and never a blue print for the solution of other cases. Ordonomics can provide a heuristic, can put the spotlight on useful questions to ask, but the answers may vary (considerably) according to the underlying social order.

IV.a *Neumarkter Lammsbraeu: Passion and Successful Eco-Social Entrepreneurship*

A remarkable example of the value-creating potential of passion is the case of Neumarkter Lammsbraeu. This enterprise is a German brewery with a more than 30-years history of brewing organic beer and being a change-agent in favor of sustainable development in its community.⁴ The owner and manager, Dr. Franz Ehrnsperger, can be viewed as a classic eco-social entrepreneur. Driven by a passionate vision of creating an ecologically and socially sustainable business, Ehrnsperger took over the family enterprise from his parents and decided as early as 1980 to manufacture organic beer, thus becoming a bio-pioneer running his brewery according to ecological and social principles. The implementation of his passion was early on driven by compassion for his stakeholders, wanting, in particular, to take responsibility for local farmers. Like a typical social entrepreneur, 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.

Note, however, that Ehrnsperger's passion was clearly focused on the sustainable creation of value. In fact, his vision also involves the profit side of his business. Following his creed that "ecology is long-term economy,"⁵ 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,

⁴ The analysis of the case of Neumarkter Lammsbraeu 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: 105-114). It is inspired by and further develops the analysis by von Winning (2009) and Beckmann (2011).

⁵ <http://www.lammsbraeu.de/index.php?id=7&L=1>.

employees with attractive and rewarding jobs, and regional farmers with a long-term demand for locally produced organic raw materials.

Still, all this was easier dreamed than done. The traditional rural community in which Neumarkter Lammsbraeu 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 innovations reforming social structure and its incentive properties were necessary. Today, the institutional innovations created and implemented by Neumarkter Lammsbraeu have made this eco-social enterprise an impressive success. Neumarkter Lammsbraeu 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.

IV.b Passion and Compassion as Critical Inputs for Functional Commitments

We want to use the Neumarkter Lammsbraeu case to highlight how a passionate and compassionate entrepreneur can pave the way for value creation by changing the rules of the game. We proceed in two steps. From an ordonomic perspective, each step identifies a problem for organic beer production and the respective institutional solution that has been successfully implemented by Lammsbraeu in its search for a sustainable business model.

((1)) Passion and Compassion fostering functional *self*-commitments. The first example illustrates how eco-social entrepreneur Dr. Ehrnsperger translated the passion for his company's vision into an individual *self-commitment* that was important in inducing others to enter a cooperative relationship with Neumarkter Lammsbraeu by putting himself compassionately into his stakeholders' shoes. Put technically in the language of rational-choice analysis, the individual self-commitment explained here was important in overcoming a one-sided social dilemma between the brewery and its farmers. Figure 3a illustrates this situation graphically.

Neumarkter Lammsbraeu started its business at a time when ecological products had not yet entered the mainstream market. In this situation, the brewery 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 Lammsbraeu. In fact, with Neumarkter Lammsbraeu 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 (Klein, Crawford and Alchian, 1978; Williamson, 1985) by Lammsbraeu: Referring to the pressure of competition, Lammsbraeu could ex post try to renegotiate and lower the prices it paid the farmers. For this reason, the farmers' initial skepticism regarding Lammsbraeu's offer was actually highly rational. At first, therefore, the farmers decided not to go organic.

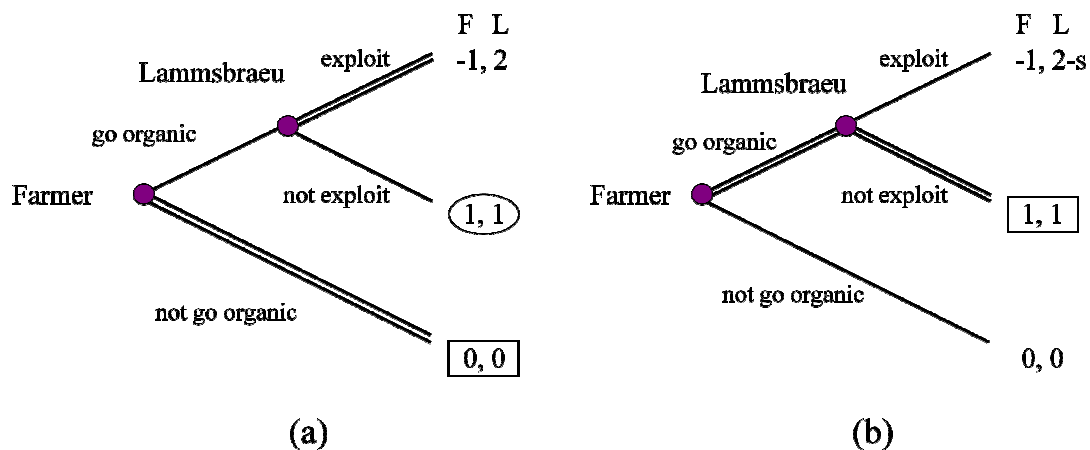


Figure 3: The One-Sided Social Dilemma Between Lammsbraeu and Its Farmers

From the ordonomic perspective, this situation is a classical one-sided social dilemma (Kreps, 1990). Given this incentive structure, both Lammsbraeu 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, Lammsbraeu 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. In order to do so, he imposed on himself a credible self-commitment s (Figure 3b). Translating the passion for his corporate vision into an individual self-commitment, Ehrnsperger offered his farmers long-term contracts that guarantee for five years the amount and the price of organic brewing raw materials that the brewery was willing to purchase. In addition, the price Lammsbraeu pays is 10–15% higher than the market price the farmers would receive for conventional raw materials. Moreover, Lammsbraeu helped the farmers to reduce the cost of their specific investments by supporting them in the process of going organic. To this end, Lammsbraeu 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 compassionate self-commitment strategies of Neumarkter Lammsbraeu changed the interactions between the brewery and the farmers. By making Lammsbraeu's commitment to organic agriculture credible, they convinced the formerly skeptical farmers to invest in organic agricultural structures. For the rural community in which Lammsbraeu operates, this eco-social enterprise has triggered substantial social change in favor of sustainability. Today, more than 100 local farmers have gone organic and devote some 4,000 hectares purely to organic brewing material.

((2)) Passion and Compassion fostering functional commitment services. The second example illustrates how a social enterprise takes the *compassion* for its stakeholders even a step further by using it as a starting point for offering a *commitment service* to its interaction partners.

The story behind this institutional innovation is simple yet illuminating. Once Lammsbraeu had managed to credibly promise 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. In particular, each farmer worried that other farmers might not honor

the sometimes costly standards for organic agriculture to the degree desirable. In fact, there was the danger that each farmer might undercut the costly organic standards as much as possible, thus creating pressure on others to do likewise. This disincentive threatened to keep the farmers from going organic in the first place.

Viewed from the rational-choice perspective of the ordonomic approach, the farmers in this situation had a shared interest in going organic as a group, monitoring each other, and negotiating prices with Lammsbraeu collectively. However, as pointed out by Mancur Olson (1965), organizing a collective interest is subject to free-rider problems and is rarely easy. In fact, the conflicting individual interests kept the farmers locked in a many-sided social dilemma. The many-sided social dilemma is a *symmetric* situation in which cooperation fails because of the *reciprocal* opportunity for mutual exploitation (cf. Bowles 2004: 23-55). Figure 4a illustrates the logic behind this situation of collective self-damage. 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 arrangement comprising all farmers involved, an institutional arrangement that enabled them to realize their common interests.

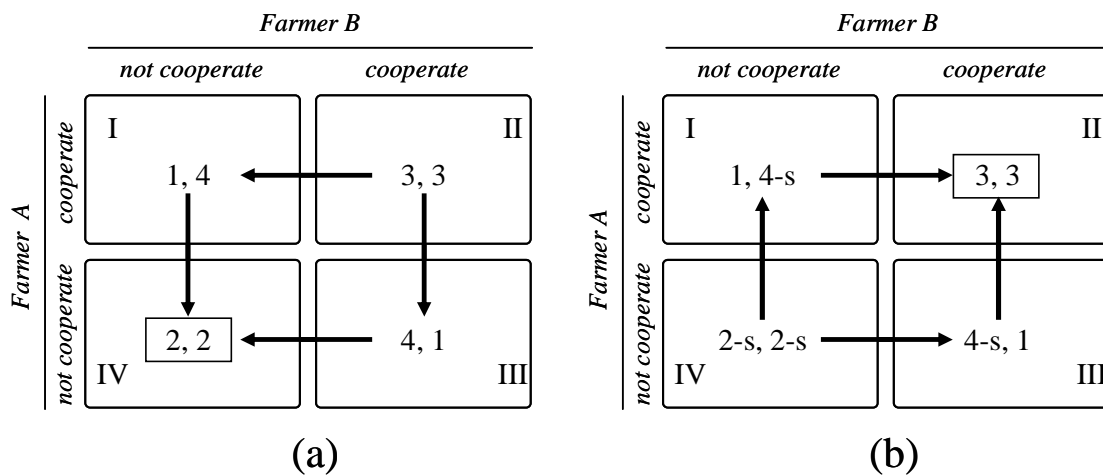


Figure 4: The Many-Sided Social Dilemma Between the Farmers

Fully suffering from the logic of collective action (Olson, 1965), the farmers in the case of Neumarkter Lammsbraeu did not have the resources to create such a collective self-commitment. In this situation, Franz Ehrnsperger's compassion for his supplying farmers was critical for bringing this problem to his attention. What is more, the Lammsbraeu brewery itself, also, had a passionate interest in the farmers organizing themselves and thus adding stability to their provision of organic material. For as long as the farmers needed to fear a race-to-the-bottom competition, they would shy away from making the specific investments to go organic.

The compassion for his farmers and the awareness that their problem ultimately also threatened his entrepreneurial mission led Franz Ehrnsperger to offer the farmers a *service for collective self-commitment*. In 1988, Neumarkter Lammsbraeu initiated the "Growers Association for Organic Brewing Raw Materials" (or, in German, the "Erzeuger Zusammenschluss für oekologische Brauereirohstoffe, EZOEB) and required all then organic contract farmers to join this association. The EZOEB was an important institutional innovation which solved a number of problems that were keeping the eco-social enterprise from meeting its full potential. EZOEB now negotiates the framework

contract between Lammsbraeu and the growers and thus decides on the sales volumes and sale prices for the organic brewing raw material. Thanks to this collective commitment, EZOEB members are obliged to honor strict standards of organic agriculture. It thus helps the farmers to uphold high-quality standards as a group. Furthermore, Lammsbraeu requires that any grower wishing to become an organic contract farmer for the brewery must join the EZOEB. Farmers who leave the EZOEB forfeit their contract with Lammsbraeu. By helping set up EZOEB and making membership compulsory for its suppliers, Lammsbraeu 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 EZOEB in keeping high standards. Providing this compassionate service for collective self-commitment thus proved to be an important catalyst for structural change toward sustainable agriculture in the region.

IV.c Functional Commitments as Institutional Innovations for Realizing Sustainable Win-Win-Solutions By Overcoming Social Dilemmas

In a piece on the entrepreneurial pursuits of self- and collective interests, Van de Ven, Sapienza and Villanueva (2007) have argued against a perspective on entrepreneurship that looks only at the pursuit of self-interest but fails to acknowledge the entrepreneurial pursuit of collective interests. We think the two cases discussed here offer an interesting perspective because they show how the pursuit of self-interest and collective interests can go systematically hand in hand in the context of social dilemmas. In fact, both examples show that it is possible to realize an otherwise untapped win-win potential if a change in the rules of the game helps to overcome such a social dilemma.

For the ordonomic perspective, the concept of the social dilemma is crucial for understanding how entrepreneurs set free new potentials for social value creation (Petrick and Pies 2007, Buttkereit and Pies 2008). Technically, a “social dilemma” refers to a situation in which rational actors fail to realize their common interests due to their conflicting individual interests. 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 hold-up problem of appropriable rents (Klein et al., 1978).

What is of interest here is that, from a rational-choice point of view, there are two fundamentally different types of social dilemmas. Whereas the *one-sided social dilemma* is characterized by the possibility of asymmetric exploitation, the many-sided social dilemma is a *symmetric* situation in which cooperation fails because of the *reciprocal* opportunity for mutual exploitation. This distinction is important because depending on whether a social dilemma is a one-sided or a many-sided one, there are different options for overcoming the dilemma. While an individual commitment is enough to overcome the collective self-damage of the one-sided dilemma, the many-sided dilemma can only be overcome through a collective commitment for all players involved. Note that this is exactly what happened in the two examples described above. In the first example, a one-sided dilemma, the eco-social entrepreneur Franz Ehrnsperger undertakes an *individual* self-commitment on behalf of his company. He binds himself. In the second example, a many-sided dilemma, however, an individual commitment on the side of just one farmer would not have been enough to overcome the collective self-damage. In this situation, a

collective commitment is needed that comprises all farmers involved. They bind themselves as a group.

The concept of functional commitments thus helps to understand how eco-social entrepreneurs can translate a passionate and compassionate win-win orientation into better rules of the game. Such functional commitments are institutional innovations in the meta game. Again, the ordonomic perspective substantiates why it is beneficial to direct the power of passion and compassion towards the meta-meta game of rule-finding and the meta game of rule-setting, respectively.

IV.d Passion and Compassion as Sustainability Drivers for Functional Self-Commitments and Commitment Services: The Ordonomic Strategy Matrix

Just as there are two paradigmatic types of social dilemmas, the example of Neumaerkter Lammsbraeu allows highlighting that there are two paradigmatic types of commitment devices for overcoming such dilemmas, namely, *self-binding commitments* and *commitment services* that help other actors in binding themselves. In the first case, an (eco-social) entrepreneur voluntarily commits to a course of action (or nonaction), either individually or collectively with others. He gives a promise that *he* is bound to keep. This was for example the case where Lammsbraeu committed itself to long-term contracting. In the second case, an eco-social entrepreneur helps 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 self-commitment. Here, he helps his stakeholders to keep a promise that *they* are bound to keep. In the case of Lammsbraeu, this happened where Ehrnsperger supported the farmers in overcoming their free-rider problem by organizing collective action.

These examples illustrate how passion and compassion help to set up functional commitment schemes, which might be a crucial step in fostering sustainable development. Our analysis finds that *passion* is a particularly significant asset when it comes to undertaking binding *self-commitments*: the more passionate you are about your mission, the easier it is for you to convince others that your (individual) self-commitments in this field are indeed credible. Passion can thus be a strategic driver for functional (self-)commitments. A complementary logic applies to the importance of compassion. In our analysis, *compassion* is needed for functional self-commitments; yet it is an even more crucial asset when it comes to devising and implementing a *commitment service*: the more compassion you have for your stakeholders, the easier it is for you to walk in their shoes and to even understand how a commitment service for others might help to improve the rules of the game in a mutually advantageous way.

In summary, it is now possible to use these reflections to develop a comprehensive strategy matrix that gives a systematic overview on how (eco-social) entrepreneurs can use their passion and compassion in entering or facilitating functional commitments in order to play better basic games.⁶ Figure 5 illustrates this matrix graphically. The vertical dimension in Figure 5 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—passionate self-binding commitments and compassionate commitment services for others. In the left column, the entrepreneur

⁶ For a previous discussion of a similar ordonomic strategy matrix see also Pies et al. (2009: 57-61).

binds himself or herself, either individually or collectively. In the right column, the entrepreneur helps other actors—in this case, the farmers—to make credible commitments.

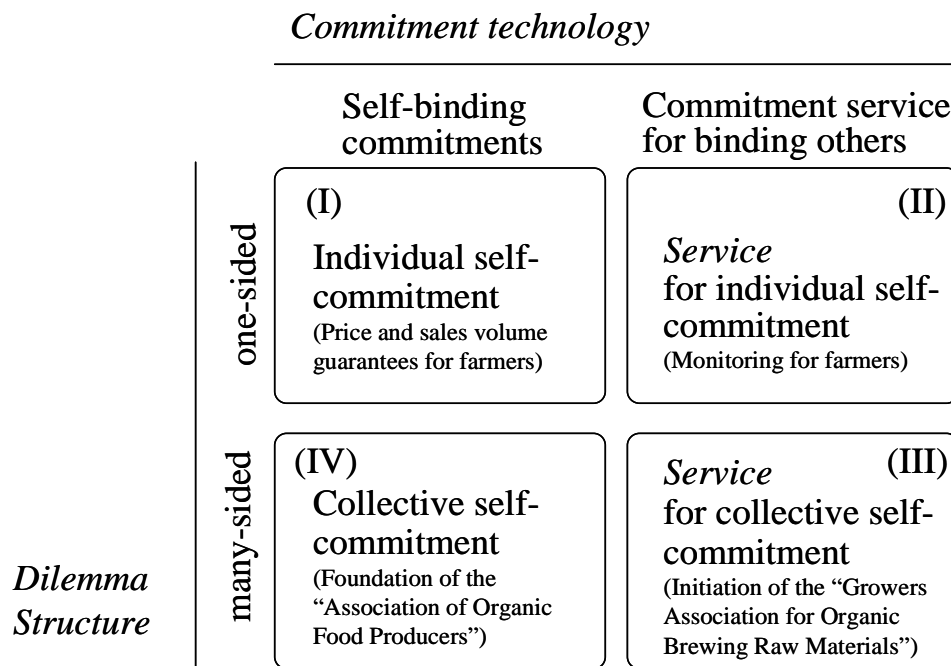


Figure 5: The Ordonomic Strategy Matrix

This two-dimensional structure makes it possible to identify four paradigmatic strategies an (eco-social) entrepreneur can engage in to sustainably further his or her mission through functional commitments. The first example has discussed the case in Box I. The second example has illustrated the case in Box III. As Figure 5 shows, the strategy matrix helps to see that there are two more possible strategies. First, there is the case where an eco-social entrepreneur offers a mechanism for individual self-commitment as a service to its interaction partners (Box II). Interestingly, this case can also be found in the Lammsbraeu example. Here, the brewery offers each farmer a monitoring service that allows him or her to make credible his or her promise to deliver truly organic crops. Second, there is the case where an eco-social entrepreneur enters into a collective self-commitment with other actors (Box IV). Again, the Lammsbraeu case provides a real-life example: Lammsbraeu collaborated with other companies engaged in organic food production to set up a collective self-commitment. The purpose of this “Association of Organic Food Producers” (AOEL) was to overcome the free-rider problem in developing joint strategies for pricing, product, communication, and distribution policies. That all members have a passionate interest in organic food production helped them in overcoming their many-sided social dilemma.

CONCLUSION: PASSION, COMPASSION, AND FUNCTIONAL COMMITMENTS AS DRIVERS FOR ENTREPRENEURIAL INNOVATION FOSTERING SUSTAINABILITY

In our analysis, passion and compassion can be strategic drivers for sustainable value creation. Nevertheless, passion and compassion are also ambivalent. Using the three-tiered framework of the ordonomic approach, we have developed a conceptual perspective for deciphering this ambivalence. Our key claim is that passion and compassion run

the risk of becoming dysfunctional if one tries to translate them directly into one's individual moves, thus trying to play better within a given basic game. If inserted into the meta games of rule-setting processes and rule-finding discourses, however, passion and compassion can help to find, create, and implement mutually advantageous win-win solutions by playing better basic games. While passion helps to clarify and voice one's own vision of value creation, compassion is a powerful asset when it comes to understanding the interests and needs of other stakeholders. At the same time, passion and compassion can help to establish functional commitments that overcome undesirable social dilemmas.

We have developed our argument in a discussion of the practice of *eco-social* entrepreneurship. Still, we argue that the lessons learnt from this kind of entrepreneurship do apply to the domain of ordinary business entrepreneurship as well. In fact, we have discussed the case of a real-life *eco-social* entrepreneur who is highly profitable. The case of Neumarkter Lammsbraeu illustrates that a strong sense of passion and compassion on the one hand and genuinely entrepreneurial spirit on the other hand are far from being mutually exclusive. On the contrary, the practice of social entrepreneurship highlights that passion and compassion can be relevant both for the 'eco-social' and the 'entrepreneurship' side of the equation. The *eco-social* dimension of the strategies analyzed here lies in their ability to realize important sustainability objectives. In the case of Neumarkter Lammsbraeu, institutional innovations have transformed not only the brewery itself but also the entire supply chain and its local environment. This is an example of sustainable development at its best. At the same time, the Neumarkter Lammsbraeu case also illustrates the *entrepreneurial* side of *eco-social* entrepreneurship. *Entrepreneurial innovation is not about playing a given game better; it is about playing better games.* In each of the situations discussed above, Neumarkter Lammsbraeu 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

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