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Social Entrepreneurship in 2011

A framework for classifying ventures based on social efforts and social effects

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Master thesis contracts

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Preface

This master thesis is the work of Gøran Berntsen and Bård Gamnes. We are both students at the Norwegian University of Science and Technology (NTNU) pursuing a Master of Science degree in Entrepreneurship. The thesis is based on research we conducted between January and June 2011.

The background for this work was a joint research program between Norway and India called INDNOR. Through participation in one project in the INDNOR program called *Social Entrepreneurship: A Catalyst for Sustainable Development,* we were given the opportunity to travel to India in January 2011 to investigate social entrepreneurship, both in academic and practical contexts. In Jamshedpur, Mumbai and Ahmedabad we met with some of the world's leading academics on the topic, and in Jhansi and Delhi we interviewed several successful social entrepreneurs and social investors. This interaction with the principals of Indian social entrepreneurship yielded a unique insight into the state of social ventures in the world today, and helped us form the ideas this thesis is based on.

We wish to thank our thesis supervisor, Associate Professor Dr. Oecon. Lars Øystein Widding at the NTNU Entrepreneurship Center, for the invaluable support and feedback he has given. His insightful observations and passion for the subject has served as constructive guidance and generous encouragement throughout the process.

We also wish to thank Professor Anil Gupta and Assistant Professor Ankur Sarin at the Indian Institute of Management in Ahmedabad, Professor Nirja Mattoo at the SP Jain Institute of Management and Research in Mumbai and Dr. T. Jayaraman at the Tata Institute of Social Sciences in Mumbai for taking the time to meet with us and patiently explain their research and opinions to us. We would also like to thank our case ventures and their representatives for the interviews and facilities tours they gave us; Founder CEO NK Chaudhary and Human Resources Manager Sanwar Yadev of Jaipur Rugs Company as well as Founder CEO Vijay Shukla and Entrepreneur-in-Residence Abhinav of Setu Ventures. In addition, we wish to thank Communication Director Peter Cleary of Vestergaard Frandsen for participation in phone interviews.

Moreover, we wish to thank Dr. Cecilia Haskins at the NTNU Department of Industrial Economics and Technology Management for her helpful feedback, as well as Associate Professor Roger Klev at the same department for letting us leverage his network of venture managers when distributing the survey our second paper describes. Finally, our heartfelt gratitude goes out to our fellow students Ida Eikvåg Groth and Line Magnussen for being excellent travelling partners in India, for helping us codify our interviews and for commenting on our ideas early in the process.

The framework we propose in this thesis is hardly complete, but we hope that our perspectives on the nature of social ventures can serve as an inspiration for researchers and managers in the future.

Trondheim June 14th, 2011.

Gøran Berntsen

Bård Gamnes

Process of developing problem statement

When we started our work on this thesis in January 2011, the problem description we set out with was *"(…) to investigate the link between social entrepreneurship and technology ventures."* In our early endeavors to analyze this problem, we examined social entrepreneurship literature and interviewed faculty and social entrepreneurs. In doing this, we came across several examples of social entrepreneurs with backgrounds from technology ventures, as well as examples of technology ventures that were social ventures themselves. This complicated our approach to the problem. We came to realize that a more fundamental question needed to be addressed before this link could be investigated: what exactly is a social venture?

This essential question in mind, we dived into the literature in search of the defining quality of social ventures. Unsurprisingly, we quickly discovered that scholars in the field do not agree on what this is. A majority of the literature we examined seemed to simply assume that there's some axiomatic division of all ventures into one of three sectors – the public sector, the business sector or the social sector – and most research focused only on one of these three. One clue was found, however, in our conversations with social entrepreneurship academics in India. They told us that in the field of *social investing*, ventures are expected to operate with a triple bottom line[1]. When accounting for the social part of this triple bottom line, both managers and investors we interviewed alternate between measuring the *input* (for example how many hours have been put in towards a particular goal) and the *output* (for example how many people have been affected). This led us to a belief that both factors – input and output, or in other words; social effort and social effect– are parts of what define ventures as social.

With this insight, we focused our work on **investigating the social effort and social effect of ventures**. Our thesis contains two papers. The first is dedicated to **developing a conceptual framework for describing the social dimensions of ventures**, while the second paper details the **development of a generic method for quantitatively applying the framework to ventures**.

The work on this thesis was begun on January 31st 2011, and concluded on June 13th 2011. Our supervisor has been Associate Professor Dr. Oecon. Lars Øystein Widding.

[1] This refers to the three areas where social investors wish to see results: financial, the environment and society

Abstract

In this thesis we take the first steps towards developing a framework for evaluating the social efforts and effects of ventures, and investigate factors that may influence dynamics such a framework. Our work is divided into two papers.

In the first paper (Thesis Paper A) we develop a conceptual framework for evaluating the social effort and social effect of ventures. The framework is theoretically based on literature reviews and in-depth, qualitative case studies. The purpose is to build a platform for qualitative analysis of ventures that lets us compare their social performance with their social intentions. The resulting framework is a two-by-two matrix, describing four classes of ventures. Factors influencing a venture's movement from one class in the framework to another are examined. We find that changing the social effort of a venture does not immediately change its social effects. Finally, we suggest that understanding the dynamics of this framework is useful for both researchers, and managers wishing to reposition themselves.

In the second paper (Thesis Paper B) we take the framework one step further by replacing the two-by-two matrix with two continuous dimensions. We then develop a quantitative method for evaluating ventures in the framework. In order to do so, we find a set of indicators to measure a venture's social efforts and social effects. We apply this method to 19 ventures by conducting a survey. Our findings indicate a linear correlation between the social efforts and effects of the respondents, and that both ventures traditionally considered to be "social" and ventures considered to be "non-social" follow the same linearity. Surprisingly, we also find that none of our respondents score negatively on the social effects dimension. This leads us to question the sustainability of a venture with negative social effects as an important point for future research.

Through both papers we see that an evaluation of the two dimensions "social efforts" and "social effects" provides a more accurate classification of ventures than a simple division of ventures into "social ventures" and "non-social ventures". "Social Entrepreneurship in 2011", the title of this thesis, is an increasingly important theme. It is important for both researchers and actors in this field to understand that any venture can have social properties. Questions of whether or not ventures are social may become superfluous. Instead, the focus should be on what effects ventures have on society and how they are performing compared to their social efforts. As society comes to expect more from all ventures, we believe that ventures, regardless of type, context, size, or industry, should be measured on the same dimensions.

Our findings open for many interesting research possibilities, some of which are discussed in the papers. The applications of our work for venture managers are also discussed, and have to some degree been demonstrated already. In the second paper, we conducted a survey where we offered our respondents a report with their results. Several of the respondents said that the reports illustrated reality as they perceived it, and some found potential for improvement in areas they had not considered to be under their control. A sample report can be found after Thesis Paper B.

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Thesis Paper A

From sharks to angels: A framework for evaluating social efforts and effects of ventures

Bård Gamnes and Gøran Berntsen

NTNU

Abstract

In this paper we develop a conceptual framework for classifying ventures based on their social efforts and social effects. The framework consists of four classes, each describing a unique combination of efforts and effects. The framework is developed by combining economics theory and social entrepreneurship theory with a case study of seven ventures. Three case ventures are then used to illustrate the model and its applications, illustrating its real-world applications. We observe obstructing factors to ventures changing their class in the framework, as well as the fact that changing a venture's efforts does not immediately lead to changed effects. We propose that our framework is usable for academics analyzing ventures and managers in change processes.

Introduction

Companies' role in our society is evolving. Traditional economics theory has been mostly concerned with the company's function as a conductor of market transactions (Williamson, 2005; Coase R. H., 1960; Webster Jr., 1992; Coase R. H., 1937). Today, companies increasingly need to govern the perimeter of their operating environments (Bradley, Schipani, Sundaram, & Walsh, 1999) and participate in society as full-fledged citizens (Moon, Crane, & Matten, 2005), so other aspects of the company must be considered. With the emergence of *stakeholder theory* (Freeman, 1984) and the evolution of the theory of *corporate social responsibility* (Carroll, 1999) over the past decades, academics have established frameworks to describe both the causes and the mechanics of this increased participation. While corporate social responsibility has its critics, the fact remains that consumers, employees and investors are increasingly concerned with the social profiles of brands (Werther Jr. & Chandler, 2005; Middlemiss, 2003), employers (Nayar, 2011) and investment objects (Sparkes & Cowton, 2004). As a result, these frameworks are becoming significant in management practice as well as in academia. The implication is that corporate social responsibility and stakeholder concerns are appearing on the strategy agenda (Jantzi-Sustainalytic, 2010).

At the same time, the nonprofit social sector is growing rapidly (Austin, Stevenson, & Wei-Skillern, 2006; Saxton & Benson, 2005). Simultaneously, *for-profit social entrepreneurship* is becoming more common (Perman, 2009), a phenomenon characterized by new ventures that combine social agendas with turning a profit. A result of the trends both in the business and the social sector is that the line between traditional ventures and social ventures is blurring. The classic notion that "corporations are bad" and "non-profit organizations are good" is becoming harder to defend. When multinational corporations (MNCs) prove both able and willing to precipitate great social changes (Egels, 2005), while social ventures such as microfinance organizations are shown to do more harm and less good than originally expected (Bateman & Chang, 2008), a comparison of social effort and social effect is due. While models for classifying various types of social and traditional ventures exist (Neck, Brush, & Allen, 2009), economics, business and entrepreneurship literature often deal exclusively with either the ventures in the business sector or ventures in the social sector. When discussing social effort and social impact, however, it makes sense to treat all ventures in the same framework.

In this paper, we will attempt to meet this requirement by developing a theoretical framework for classifying ventures based on their *social effort* and their *social effect*. We will begin by developing an abstract framework, and then illustrate the use of the framework through the analysis of three case ventures. We will further explore the dynamics of the framework, and examine which mechanisms exist to aid or to prevent ventures from altering their position in the framework.

Social effort and impact

A framework

The framework we propose is a two-dimensional system. We wish to treat both social and traditional ventures in the same framework, and we want to look at the correlation between what they *want* to do and what they actually *achieve*. One dimension we will present is the *social effort* of ventures - to what degree ventures engage in initiatives for the benefit of society. An example of how to approach this dimension is by looking at the ventures' mission statements and goals, as these are good indicators of venture behavior (Neck, Brush, & Allen, 2009). Because the purpose of the framework is to also evaluate the social output of ventures, the other dimension will represent *social effect* of ventures. This dimension describes the results of the social efforts ventures engage in, as well as inadvertent effects of the venture's activities.

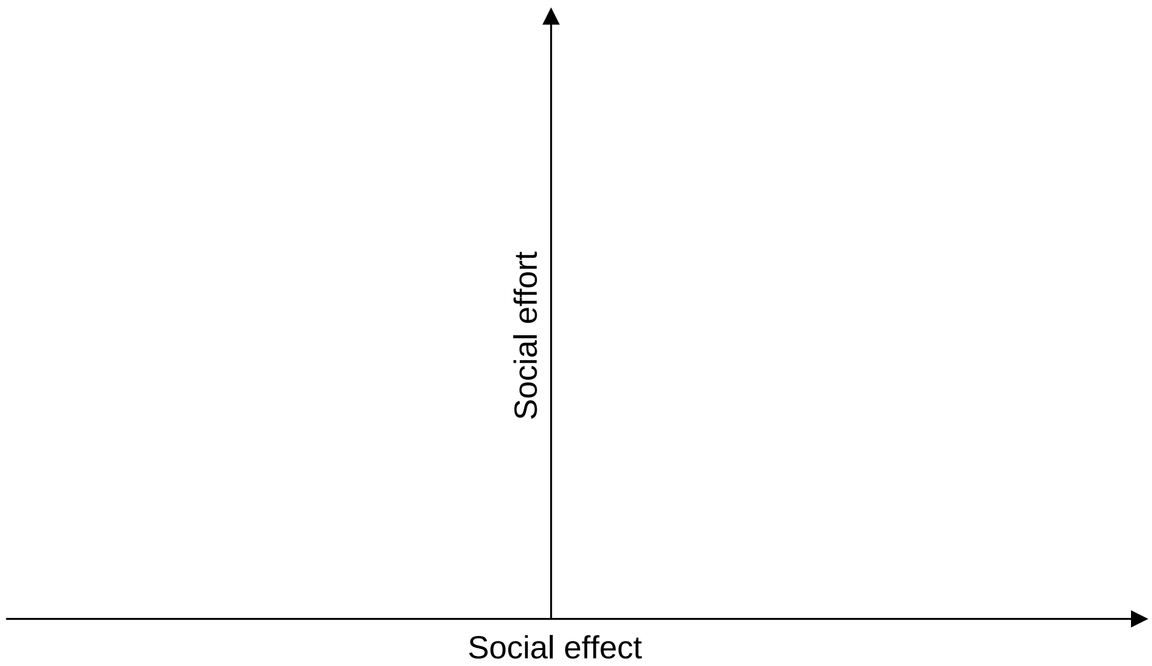

Figure 1: Social input and output

As shown in Figure 1, we have a two-dimensional framework. On the social effort axis, ventures can either be neutral (meaning no social efforts are made), placing them at the bottom of the framework, or make some kind of effort which would place them higher up. On the social effect axis ventures can either have a positive impact, no impact or a negative impact on society, meaning this axis must extend into negative space as well.

All ventures can be placed somewhere in this framework. In addition, ventures can change their position in the framework over time. Before we go on to illustrate this, however, we need to refine the framework, as "Social effort" and "social effect" are not well-defined terms.

Intentions

The vertical axis – the *social effort* axis – will describe ventures' goals and behavior. Certainly, ventures differ greatly in how socially aware and responsible they are. Some ventures, such as most non-governmental organizations (NGOs), have an agenda where social impact is put above profits. Other ventures set themselves social missions alongside the ever-present object of returning profits to shareholders. It could be for marketing reasons, because they believe it will be profitable in the long run, or because of the philanthropic nature of their owners. Put in a different term, different ventures have different *intentions*, and we will explore some of the mechanics that lead to *social intentions*.

Social Ventures

Ventures that exist primarily for the purpose of achieving some social mission rather than for the purpose of profits we collectively call social ventures. This term includes both purely non-profit ventures, such as many humanitarian and relief organizations, and for-profit social ventures. The latter are ventures that are for-profit businesses, but whose primary goal is social impact. Having stated social missions, these ventures are located on the upper part of the social effort axis of the framework, as their intentions are clearly positive.

Corporate Social Responsibility

In a recent blog post, HCL Technologies CEO Vineet Nayar observed that young business people expect ventures to accept a social responsibility (Nayar, 2011), which is very much in tune with the development of the concept of *corporate social responsibility* (CSR) over the past decades. With increasing globalization and the establishment of multinational corporations (MNCs) as the pillars of the global economy, society has come to expect more from ventures, and CSR is one response to this. While proponents of CSR claim the concept can trace its roots all the way back to Adam Smith's ideas of honesty and justice in the market (Li, Zhang, Li, Zu, Zhao, & Zhao, 2011), it is only in recent years that CSR has emerged on the strategy agenda of ventures worldwide. The World Business Council for Sustainable Development defines CSR as *"…the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"* (WBCSD, 1999), a wide definition that is nevertheless useful in that it recognizes a responsibility to stakeholders apart from shareholders.

A common criticism of CSR is that CSR in many cases doesn't have any real impact on the ventures' operations, apart from being present on the marketing budget (McKibben, 2006). Critics question the motives behind CSR, accusing ventures of building CSR into their brands purely as a means to boost sales and increase profits. However, even if the ultimate motives are increased profits, the results of working social responsibility into a brand can have valuable effects for society. One important such effect is how employees consider the brand they work with, as pointed out by Øivind Hagen:

"Making social values part of the brand (…) challenges the distinction between external and internal communication. Making a moral statement through branding of CSR intentions creates expectations with both external and internal stakeholders, and it puts pressure on employees to live up to the promises." (Hagen, 2008)

There's a complex effect taking place here. As stakeholders' expectations of ventures grow to include social responsibility, ventures brand themselves to appear to comply with these expectations, and by branding themselves in this way, they may in turn change the way they operate.

Creating shared value

Porter and Kramer, two highly acclaimed economists from Harvard University, recently published an article called Creating Shared Value (Porter & Kramer, 2011). Ventures and their surrounding business environments are closely intertwined, and ventures should therefore focus on building profitable environments to operate in. This will lead to new opportunities, enabling the ventures to achieve further economic growth. In other words, creating shared value is not a cost for a venture, but can be perceived as a long-term (or sometimes short-term) investment for building a more sustainable future. A classic "mistake" in the world of business is setting short-term financial goals, which might give shareholders greater returns today, but might harm the business in the long run.

There are three ways to achieve shared value according to Porter and Kramer: *Reconceiving products and markets* – adapting products to their markets, and investigating non-traditional markets – can lead to new opportunities by opening doors not previously available. *Redefining productivity in the value chain,* in other words focusing on other than the direct economic aspects of productivity can lead to great savings in cost for fuel, recycling and resources usage. *Enabling local cluster development* can create more opportunities and help build the market to the venture's advantage. When improving infrastructure and relations to surrounding organizations and people, the venture can increase sales and open new markets that have previously been inaccessible. In sum, shared value creation strategies indicate positive social intentions.

Defining social intentions

Whether a venture's mission is social in nature or a venture is committed to CSR or creating shared value for business reasons, a venture prepared to act socially responsible can be said to have social intentions. What we have not discussed is the relative strength of these intentions. A humanitarian organization like the Red Cross, whose mission is to *"provide relief to victims of disaster and help people prevent, prepare for, and respond to emergencies"* (Red Cross, 2011) clearly has strong social intentions. Less obvious are the social intentions of a corporation like Statoil ASA, whose corporate values include the somewhat vague phrase *"demonstrate social responsibility and contribute to sustainable development".* It could be argued that the intentions of these two ventures are worlds apart. However, that would require some attempt to quantify intent, something that falls outside the scope of the abstract framework we are proposing. Rather, we will use a qualitative approach in assessing whether or not a venture's intentions are social.

Sum of externalities

Before we can examine the impact ventures impose on society, we need to explore the term *externalities*. *The New Palgrave Dictionary of Economics* defines the term as:

"(…) indirect effects of consumptions or production activity, that is, effects on agents other than the originator of such activity which do not work through the price system." (Laffont, 2008)

What does this mean in terms of social effect and our framework? In the view of traditional economics, ventures exist to maximize profits for shareholders (Friedman, 1970). Any side-effect the venture's activities has on its environment that does not directly relate to this purpose is referred to as an externality. In order to better understand the concept of externalities, let us first consider the concept of utility. Utility describes the relative satisfaction of individuals. Although impossible to measure in reality, it is nevertheless very useful as an abstract concept, because we can deduce whether an individual's utility is increased or decreased. An externality can be defined as *any change in the utility of a bystander to a transaction.* If ventures and consumers engage in a transaction that has some effect on the utility of a third party, the transaction causes an externality. Externalities can be either positive or negative - a negative externality decreases the bystander's utility, while a positive externality increases it.

In utilitarianism, as developed by John Stuart Mill and Jeremy Bentham early in the 19th century, the moral value of any action is evaluated based on its usefulness in maximizing the sum of all individual's utility (Stigler, 1950). In this view, an action is considered beneficial to society given that it benefits more than it harms. An implication is that an action can be "good" even though it incurs costs on one subset of society, given that a different subset gains sufficiently. That means the social benefit can be a direct profit for the involved parties while the social cost is a negative externality.

A more fine-grained way to evaluate an action is found in the principle of *Pareto efficiency.* This principle says that any action in the market is only Pareto efficient if at least one individual is better off and no individuals are worse off for it. In other words, an action is Pareto efficient if no individuals experience a decreased utility, while at least one individual experience an increased utility. Or, in terms of externalities, an action is Pareto efficient if no negative externalities are incurred. If the social benefit of the action is evaluated based on its Pareto efficiency, then there can be no doubt that a Pareto efficient action is also an action for the betterment of society (even should it only affect one individual). A problem with this evaluation lies in the subjective-individualistic nature of utility, meaning that any individual is free to determine what does and does not affect his or her own utility. This implies that any action in practice can be said to have indirect effects, and there will always be some individual whose utility is affected (Salinas, 2003). In practice, all actions will incur both positive and negative externalities.

The sum of externalities

For the purposes of this framework, a version of utilitarianism will suffice for evaluating the social benefit of an action. We accept that we must deal with sums of externalities as we concede that there will always be negative externalities. However, we will not accept that profit-enhancing activities with no positive externalities are socially beneficial. In order to fit social ventures into this model, we will also include *intended social benefits* resulting from a venture's activities in the term "positive externalities". Accepting that every action will carry both positive and negative externalities with it, we can evaluate the benefit of the action based on the sum of externalities. We can then evaluate the social impact of a venture as the *sum of externalities of all their activities.*

Internalizing mechanisms

Let us now consider how ventures, particularly traditional for-profit ventures, relate to externalities. As an isolated unit, the traditional venture is expected to make profitable choices at any junction. If the venture can avoid a cost, for example by passing this cost on to the rest of society, the profit goes up. Ventures are in fact expected to externalize as many costs as possible – not because they are evil, but because that is how the rules of our economy have made them. As put by Robert Monks:

"A corporation is an externalizing machine in the same way that a shark is a killing machine. Each one is designed in a very efficient way to accomplish particular objectives. In the achievement of those objectives, there isn't any question of malevolence or will. The venture has within it – and the shark has within it – those characteristics that enable it to do that for which it was designed." (Monks, 2005)

If the venture's role is to externalize costs, then it is the role of regulatory bodies to be the opposite force. Governments pass laws to tax negative externalities, forcing ventures to "internalize" the costs of those externalities that are deemed damaging to society at large (like pollution). In the same spirit, laws are passed that subsidize positive externalities, making it profitable for ventures to engage in activities that carry benefits to society. Unfortunately, because externalities are so hard to quantify, it is hard to accurately tax negative externalities and subsidize positive ones. But is that a problem? Ronald Coase suggested in what has become known as the "Coase Theorem" (Coase R. H., 1960), that we don't, in fact, need regulatory bodies to tax and subsidize externalities given that we have well-defined property rights and low transaction costs. Under these conditions, a self-regulating effect arises that we will refer to as the "Coase effect". If a venture wishes to engage in some transaction that will have adverse effects on a bystander's utility function, and if these effects are expressed in some action upon something that is the property of that bystander, the venture must first purchase the right to initiate that transaction from the bystander. If the original transaction is more valuable to the venture than the price of compensating the bystander, including the transaction cost of the compensation, it will make sense to do so. The utility of the bystander remains the same and the venture creates some value, meaning the transaction is Pareto efficient.

While the Coase effect can explain some internalization, it is important to remember that the Coase Theorem only works under a set of ideal assumptions. While the idea of markets with sufficiently low transaction costs offers its own problems, the assumption that property rights are well-defined are in many cases difficult to defend. Who owns the right for industry to release carbon dioxide into the atmosphere? Who should be compensated if over-use of antibiotics leads to more resistant bacteria, and new diseases evolve, or if the opening of a new liquor store leads to increase crime in the neighborhood? The answer is that **all of us together** – that is our society – own these property rights. To represent society and manage these rights, we have governments. We give our governments the mandate to introduce taxes and subsidies in order to herd ventures to do what is best for all of us. Deciding which externalities are severe enough – that is, affect sufficiently many individuals' utility function to a sufficient degree – to be taxed or subsidized is left to the law-makers, who we must assume have society's interest in mind.

Voluntary internalizing

So far we've considered two mechanisms that make a venture internalize their externalities: direct market mechanisms (the Coase effects) or governments forcing and coercing internalizations by taxing or subsidizing activities. In addition, ventures can voluntarily choose to internalize externalities, either by refraining from externalizing costs to begin with, or by voluntarily picking up the bill for externalities. To what degree a venture chooses to do this depends, of course, on the venture's social intentions.

Refining the framework

Having explored both social intentions and externalities, we are now equipped to return to the framework. We redefine the vertical axis as *Intentions*. The idea is that ventures can be placed vertically in the framework based on their social intentions. Quantifying intentions and judging different ventures relatively to one another, however, is difficult, and especially so when we consider purely social ventures in the same framework as traditional for-profit ventures. Because of this, we make the (social) Intentions axis binary. A venture that has social benefits as part of their mission statement or values, is placed in the upper part of the framework, while a venture that does not, is placed in the lower part.

The horizontal axis we redefine in terms of externalities, or more specifically, *Sum of Externalities*. Even though one activity may impose positive externalities on one subset of society, another activity (or even the same activity) may impose negative externalities on another subset of society, and this axis will represent the sum of all the venture's externalities in all of society. As with social intentions, quantifying the sum of externalities is difficult. For our purposes, it will suffice to know if the sum is a positive one or a negative one. We therefore make this axis binary as well. The result is a two-by-two matrix. For ease of reference, each quadrant in the matrix is given a nickname to illustrate the ventures it describes.

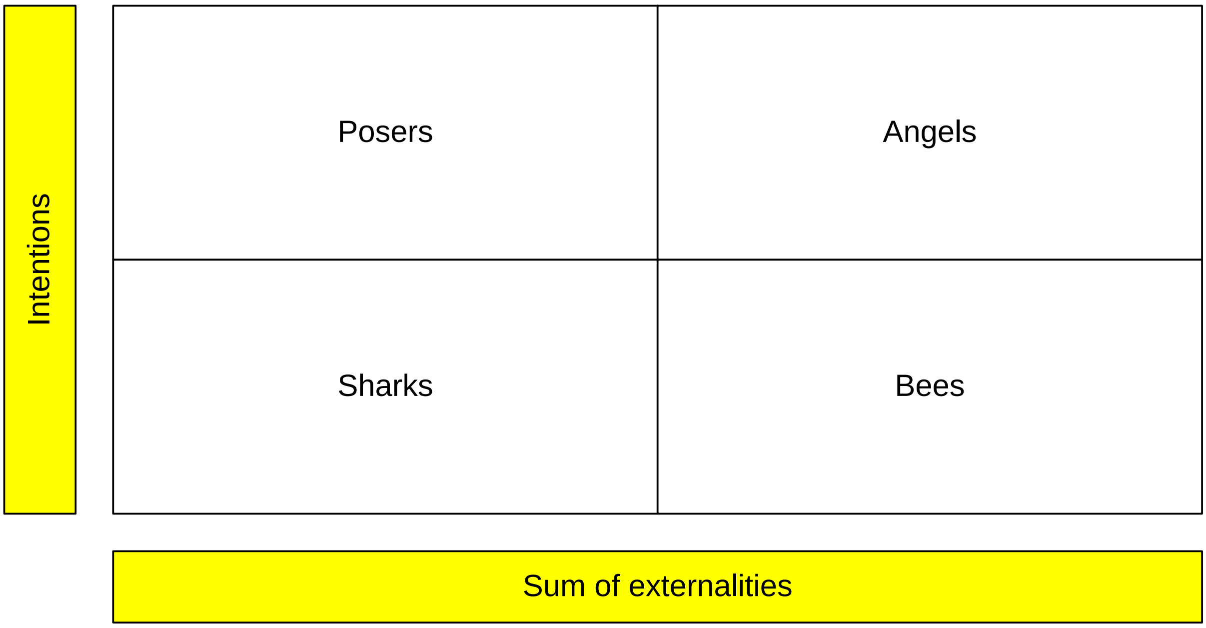

Figure 2: The intentions-externalities framework

Sharks

Nickname inspired by Monks' "externalizing machine" metaphor (Monks, 2005), the *Sharks* in the lower left-hand quadrant are the ventures that have no social intentions, and whose sum of externalities is negative. We assume that most traditional for-profit ventures fit into this quadrant. Indeed, if one accepts Friedman's opinion on what the purpose of a venture is, this is exactly where all traditional ventures are supposed to be. However, because Sharks cause negative externalities, it is in society's interest that Sharks not remain Sharks. Some Sharks will therefore try to change their positions. Unfortunately, there is an inertia effect when attempting to change a venture's position in the framework. That is, changing a venture's intention does not immediately change the venture's sum of externalities, because the sum of externalities is a complex property constructed by many independent variables.

In addition to the inertia effect, there are mechanisms that prevent ventures from leaving Shark status. One such mechanism is the taxation that is intended to force Sharks to internalize externalities. This forced change can cause them to design strategies to circumvent these regulations, and actively avoid internalization of externalities. In addition, paying the taxes can result in ventures "resting on their laurels", using the taxes as an excuse to not act socially responsible in other areas. Sharks with a strong short-term profitability focus will be particularly affected, as they are prevented from actually making the investments required to change. This incurs an unwillingness to change their intentions. As a result, ventures that could otherwise have been coerced to change their intentions are stuck in the role of Sharks.

While Sharks are natural consequences of free markets and the way our economy works, for-profit ventures are increasingly volunteering to internalize externalities as they adopt CSR policies and shift their focuses towards creating shared value. It is, therefore, not unlikely that we will see more ventures moving away from Shark status in the future.

Angels

In the diagonally opposite quadrant are the ventures that have a declared social mission, and manage to carry it out successfully so that the sum of their externalities is positive. We call these ventures *Angels*. Ventures that start out in and remain in this role throughout their existence, that we will call *"Born Angels"*, are typically NGOs and non-profit social ventures. Their sole purpose is to benefit some subset of society and they are therefore more inclined to ensure a positive sum of externalities in all parts of the value chain and their own operations (Dees J. G., 1998). Because of the emerging trend of social purpose for-profit ventures (Austin, Stevenson, & Wei-Skillern, 2006), it can be assumed that more Born Angels will be founded in the time to come.

Bees

Ventures in the lower right corner are ventures that have no social mission, but still have a positive sum of externalities. This can be because the nature of their business is such that it carries social benefits, and they cause few negative externalities. An example can be a management consultancy firm that employs highly educated consultants, as well as providing them with further education. This positively impacts the education level of the work force, which is a positive externality. We use *Bees* as an analogy, because they benefit their surroundings by pollinating local flora as a side effect of honey production.

Intuitively, this appears to be the optimal quadrant for any for-profit venture. Bees have a positive sum of externalities, meaning they are beneficial to society. At the same time, they have no social missions, meaning they can focus their efforts on maximizing profits for their shareholders. One question to beware, however, is whether a Bee is truly performing according to its mission. Although there are likely to be cases of genuine Bees (ventures whose primary business carries truly positive externalities with it), Sharks that internalize sufficiently could also appear as Bees. Although this would be a benefit for society, it could be argued that shareholders aren't getting the management or results they are paying for.

Posers

In the upper left corner are ventures with stated social missions who still incur a negative sum of externalities. This can be either because their stated missions aren't taken seriously, as happens when CSR is a pure marketing initiative, or because their positive externalities are insufficient to offset their negative ones. Either way, they are unable or unwilling to net a positive impact on society, and we have nicknamed them *Posers*.

One interesting example of a mechanism that can prevent Posers from achieving Angel status can be found in a case-review from 2008 by NTNU researcher Øivind Hagen. He examined the Norwegian office chair manufacturer HÅG (Hagen, 2008), a company that began branding itself as a CSR pioneer in the early 1990s. While their intent had clearly changed, moving them from Shark to Poser status, operations and activities struggled to follow. HÅG had a chairman who appeared often in media, working CSR into the brand, which lead to high expectations from external stakeholders. A result was that organizational members became blinded by their own rhetoric. *"Leading actors within HÅG [were] seduced by the very image the company created of itself."* (Hagen, 2008) These key employees were convinced HÅG's CSR had led to positive social impact already and as such felt no compulsion to contribute further. Both these effects are detrimental to employee attitudes towards CSR, and prevent ventures from moving from Poser to Angel status.

Method

Research context

In this paper we have sought to describe the social efforts and effects of ventures *in general*, regardless of type of venture (social or traditional). The firmly established field of *economics* offers many insights into either type of venture, while the relatively fresh academic field of *social entrepreneurship* offers perspectives on the efforts and effects of social ventures. From our initial forays into the social ventures theme, we found that there was a discrepancy between how social ventures were portrayed in the literature and how they perceived themselves. This especially held true for for-profit social ventures. This led us to believe that there was no reason social ventures could not be described in the same framework as traditional ventures. However, this is uncommon in both economics and in the entrepreneurship field. In order to combine ideas from both fields with empirical observations, we chose a qualitative, inductive approach to our research. This let us build our theory bottom-up based on observations from both literature and our empirical data (Bryman, 2001).

Research design and execution

In order to build our theory, we conducted a "cross-sectional design with case-study elements" (Bryman, 2001). We investigated a set of case ventures based on their definition as social venture or traditional venture, but at the same time we looked at all ventures as the same type of societal mechanism. For each of 7 case ventures, we conducted semi-structured interviews with founders and key employees, and combined this with information gathered from the ventures' web pages and news stories about the ventures

Developing a new model

When developing a new model or a new theoretical approach to a phenomenon, the systematic approach in Grounded Theory (Glaser & Strauss, 1967) is appropriate. Codifying the data gathered from the case ventures into suitable categories let us make relevant observations and find common factors and differences. We then narrowed down the case ventures, selecting the ventures that were most illustrative to show how the broader categories function. This let us illustrate the functionality of the framework.

We also conducted a recursive document analysis, or ethnographic content analysis, (Altheide, 1996) initially using categories as guides when analyzing documents for case ventures, but then altering the categories based on findings. When we felt we had reached theoretical saturation (Strauss & Corbin, 1998), we placed the categories into the model and arrived at the framework shown in Figure 2.

Figure 3 shows the framework development process. While our initial literature review led us to conduct case venture interviews, we relied on supplementary literature from the fields of economics, business ethics and social entrepreneurship throughout the process of working with the cases and developing the framework.

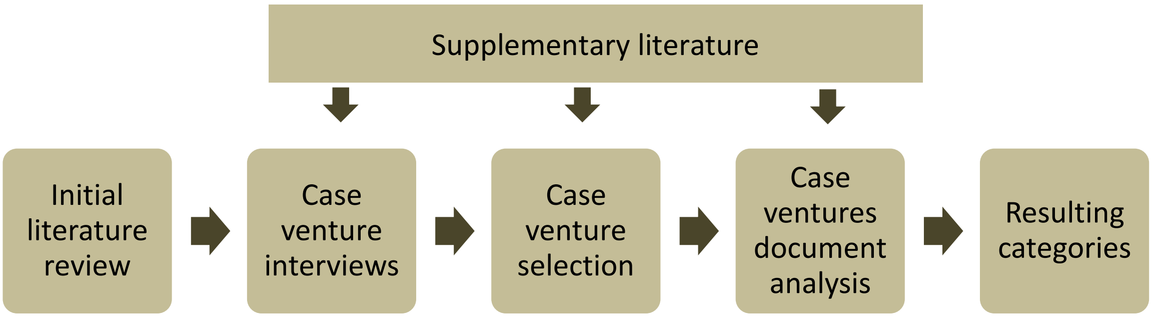

Figure 3: The framework development process

Supplementary literature

Table 1 shows some examples of how concepts from literature and the cases led us to our final framework.

Table 1: Examples of concepts synthesized from sources into our framework

<table>
<tr><th>Initial literature review</th><th>Case venture interviews</th><th>Case venture document analysis</th><th>Resulting categories</th></tr>
<tr><td>Distinction on venture type based on goals and business model: Social ventures or traditional ventures (Martin & Osberg, 2007)</td><td rowspan="3">Social problems are the same, regardless of how your business model addresses them.

Different venture types only depend on the best way to solve the problem.

Difference lies in primary objective for the company. (Shukla, 2011)</td><td rowspan="3">Primary objective is closely related to mission and vision statements and explicit goals for the venture.

(Setu Ventures, 2011)</td><td rowspan="3">Social effort

(Intentions)</td></tr>
<tr><td>Distinction on social ventures (SV): Non-profit SV or For-profit SV (Dees J. , 1996)</td></tr>
<tr><td>Distinction on different social goals: CSR, Social Ventures (Austin, Stevenson, & Wei-Skillern, 2006)</td></tr>
<tr><td>Distinction between market, economic or social impact. (Neck, Brush, & Allen, 2009)</td><td>Social and economic impact are not mutually exclusive. Both can be achieved by applying novel business models. (Cleary, 2011)</td><td rowspan="2">Ventures reports both on direct output and on their impact on their surroundings.

(Jaipur Rugs Company, 2011)</td><td rowspan="2">Social Effects

(Sum of externalities)</td></tr>
<tr><td>Distinction on primary output and externalities (Cornes & Sandler, 1986)</td><td>Ventures are concerned with both when looking at social and environmental aspects, calls it their total impact. (Chaudhary, 2011)</td></tr>
</table>

Case venture selection

Having examined the case ventures, we selected three descriptive cases to illustrate the usefulness of the framework. While the three cases used were chosen because they provided the best descriptive match for the framework, all seven cases collected contributed insights in the framework creation. For each case the social intent was determined based on the venture's mission statement, core values and business model. The sum of the venture's externalities was extrapolated from the founder's account as well as from the account of external stakeholders, documents and other researchers' case studies.

This method, while highly qualitative in nature, allowed us to evaluate each case venture's position in the framework. Additionally, we have mapped their historical movement in the framework, based on the same data sources.

Framework process evaluation

This kind of qualitative case study gives a deep and rich knowledge of the case companies studied, but risks errors when attempting to generalize the findings. However, case studies are useful when studying a contemporary phenomenon in a real-life context as we have been doing (Yin, 2002), and the method has helped us in the development of our framework. The method also ensures that our framework has undergone repeated verification during the theory development (Eisenhardt, 1989). Additionally, the method let us evaluate the real-world application of the framework on cases into which we had deep insight.

Case enterprises and the model

The ventures we have analyzed in this paper are the rug manufacturer Jaipur Rugs Company, the investment fund Setu Ventures and textile-manufacturer-turned-social-venture Vestergaard Frandsen. The ventures are presented and analyzed below.

Jaipur Rugs Company Private Limited

The Indian company Jaipur Rugs Company (JRC) is one of the leading manufacturers of handmade carpets in India. They currently employ over 40.000 artisans throughout the country. Each artisan is their own entrepreneur, as they are not employed directly by the company. The company's value chain ensures sales to over 20 countries world-wide, with an annual turn-over in 2008-2009 of over $14 million (Jaipur Rugs Company, 2011).

JRC's business concept and mission is in short to "remove the middle-man" (Chaudhary, 2011). JRC founder CEO Nand Kishore Chaudhary started in the rug industry in 1978 because he saw that middle men in the industry did little work and took huge profits from the process, leaving the artisans with low income. He identified this as a defect in the market and saw the potential of creating a more effective business filling the gap (Kirzner, 1999). JRC therefore takes control of the entire value chain from wool import to sales offices. They want to enable their artisans to become their own entrepreneurs by helping them to buy their own weaving looms and thereby become a partner to JRC.

JRC has existed for many years, and for simplicity we choose to refer to the company and its founder's business as JRC, even before the company itself was established. The company history can be divided into two main phases as their intentions changed. The transmission from one phase to another has been a gradual process but there has been a marked change in the goals and the organization nonetheless.

Intentions

JRC started out as a company with two looms and the intention of creating profits for Mr. Chaudhary and his fellow founders. As such, they did not at this time have a clear goal or vision of helping people. At this point – in the first phase – their social intentions were neutral, placing them in the lower part of the framework. A few years after starting, Chaudhary realized the positive effects his business had on its surroundings; employing workers in rural India, paying above-market wages and improving the quality of life for the artisans. He decided to pursue these positive effects further, and made this the primary objective for the company. JRC's purpose was changed to improving the living standards for artisans. This marked the entrance to the second phase of the company, where the intentions are positive. The operations in this phase shifted towards what Porter and Cramer refers to as creating shared value as the company invested in local cluster development in the artisan villages.

Sum of externalities

The fact that JRC controls their entire value chain enables them to ensure that value is evenly distributed throughout the different entities. They buy and store the wool, send the exact needed amount for a rug to artisans, collect the finished rugs and sell the rugs directly to end users in western markets.

By controlling the value chain, JRC work closely with their artisans, educating them and helping them become better weavers. They have also expanded their business by setting up sales offices in the US, redefining the markets previously unavailable to Indian rugs. By eliminating the third-party reseller, JRC ensures a fair distribution of profits in the value chain. In addition, the control allows them to secure an effective distribution of resources. In order for JRC to effectively work with their artisans, they need to build infrastructure connecting the villages to distribution channels, as well as help in raising the living standards in the villages through health care. All these activities are in line with Porter and Cramer's shared value creation concept.

JRC established the Jaipur Rugs Foundation (JRF) in 2004 showing a clear social dedication as this is purely a voluntary non-profit organization. JRF works solely for the well-being of carpet weavers, not only for JRC artisans, but for carpet weavers in other parts of India as well. JRC is responsible for most of the funding to the foundation, thereby giving back some of its profits directly to its artisans, further ensuring positive externalities for JRC.

The positive impacts JRC have on the communities through health care, education, economic growth and infrastructure improvements by far outnumber their negative effects. This puts their sum of externalities as a positive. What is interesting is that this has always been true, even in the first phase of the history when JRC did not have the same social mission.

JRC in the model

JRC's intentions have changed throughout the history of the company. The two phases of the company shows a movement in our model. Their intentions changed from the lower part to the upper part of our model. Interestingly, the sum of their externalities has always been positive. While they have increased the living standards of their artisans, this was true in both phases. The combination of their mission, and their business model and operations, clearly classifies JRC as an Angel in the model today. With the establishment of the JRF in 2004, they further strengthened their position as an Angel. JRC was a Bee in the first phase, but as their intentions changed they have moved up to become an Angel.

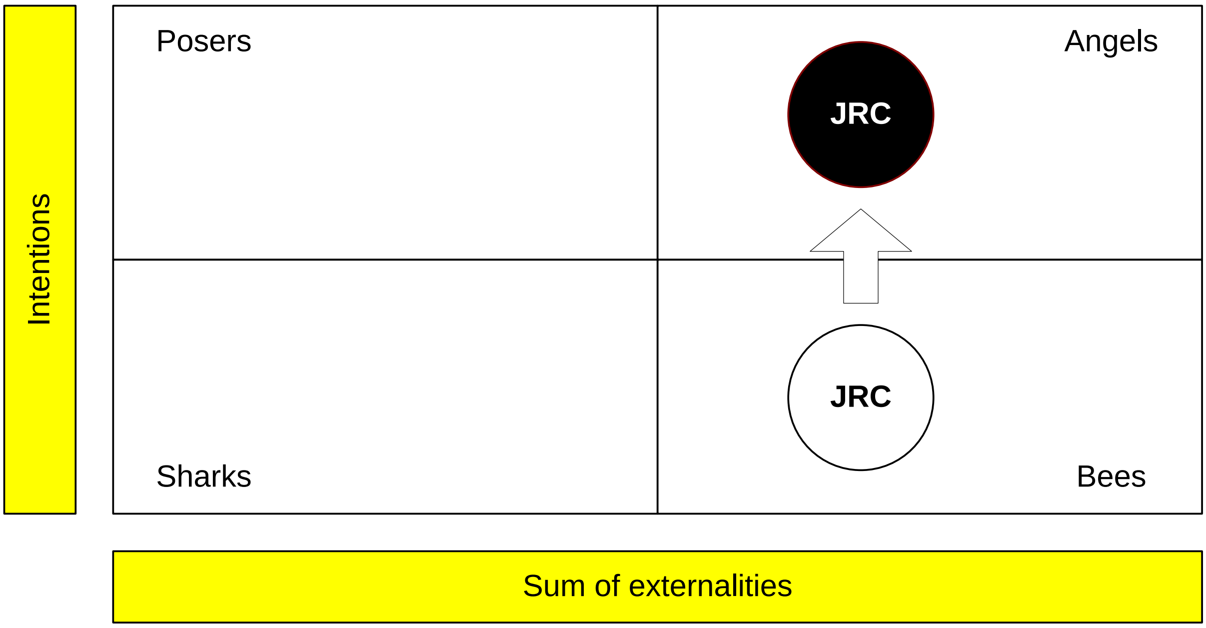

Figure 4: Jaipur Rugs Co. in the model

Setu Ventures

Setu Ventures (Setu) is a small investment fund in Gurgaon (Delhi) in India, investing in early-phase start-ups. Their mission reflects the social ideology of founder Vijay Shukla: to facilitate new startups and create jobs, by offering capital, advice and space in an incubator. In the words of Mr. Shukla: "Setu is the kindergarten of business" (Shukla, 2011). The fund operates with a double bottom line, measuring success both in financial performance and social performance by the number of businesses started and jobs created.

The fund was founded in 2009, and has at the time of writing invested in twelve small start-ups employing in total between 85 and 90 people. As all the investment objects are still in early phases, it is too early to say anything for sure about the long-term social impact of the investments, let alone about the financial performance of the fund, but according to Mr. Shukla, they are ahead of expectations at this point, and at least ten of the twelve portfolio companies are looking very promising.

Intentions

Before Mr. Shukla founded Setu Ventures, he had co-founded four other companies, among these the very successful mobile service provider ValueFirst. Already a successful businessman, his fifth venture, Setu Ventures, was founded with a social mission in mind – to create sustainable businesses and thus create new jobs. While the company is a for-profit venture (Mr. Shukla expects as much as 7-8X appreciation on their investments over a five-year period) their investment profile is clearly affected by their social mission, and their intentions are positive.

Sum of externalities

As an investment fund and investment advisory company, Setu have few activities that can be claimed to incur direct externalities. A thorough evaluation of Setu's portfolio companies could help us map Setu's indirect externalities. However, this would require an investigation outside the scope of this paper. We will be content with establishing that, based on the information available at the time of writing, none of the portfolio companies incur negative externalities sufficient to offset the benefit of the job creation they have achieved. As Jaipur Rugs, Setu is creating shared value, since they want to enable local businesses to prosper and thereby create jobs. Using this as an indirect metric of Setu's sum of externalities, we ascertain that Setu have a net positive influence on its surroundings.

Setu in the model

Having intentions to invest in a socially responsible manner, and netting a positive sum of externalities, Setu is placed in the upper right corner of our model; a place it has held throughout its short history. This is an example of the interesting phenomenon *Born Angel* – a company that has held Angel status since incorporation, and continues to do so.

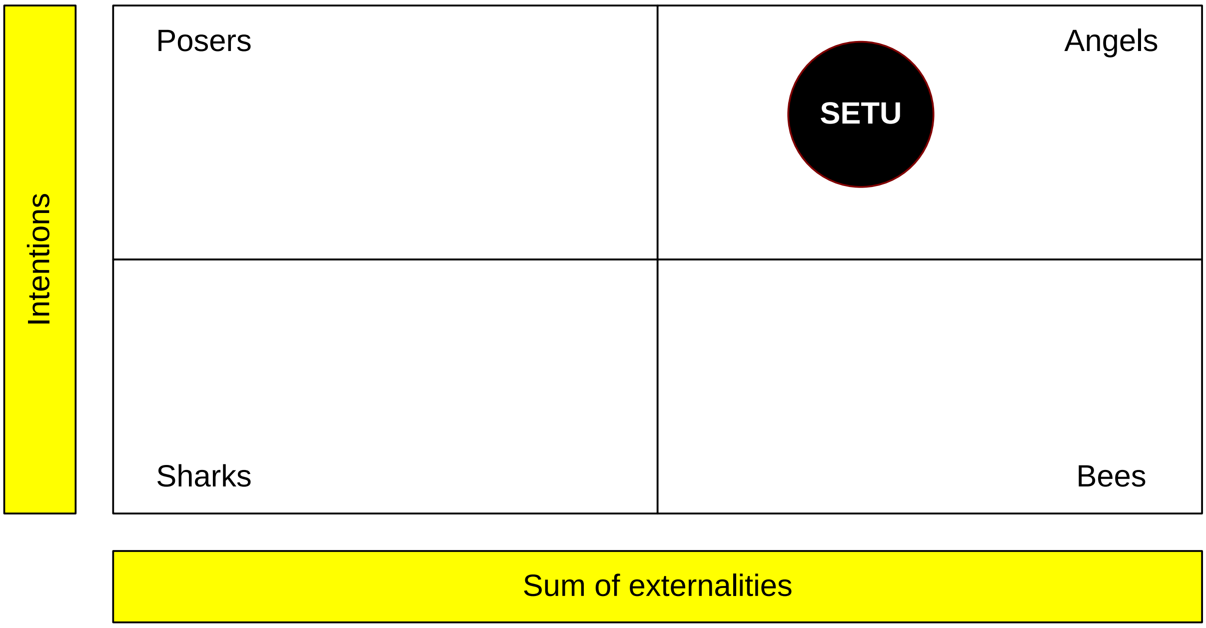

Figure 5: Setu in the model

Vestergaard Frandsen

Founded in 1957 in Denmark as an industrial clothing manufacturer, Vestergaard Frandsen (VF) is today a world leader in disease control products. The company was started by Kaj Vestergaard Frandsen, and it has remained a family-run business since. Kaj's son, Torben, took over the business in 1970, and in 1992 Kaj's grandson Mikkel became involved in the business. Mikkel was already a social entrepreneur exporting cars to Africa, but decided to work in the family business instead, seeing a great potential to do good from there (Freedman, 2005).

Mikkel introduced a unique business model, which he refers to as Humanitarian Entrepreneurship. This business model has turned creating positive social change into their core mission while they still focus on making a sustainable profitable business. Today, VF has several life-changing products ranging from PermaNet, a long-lasting insecticidal net, to LifeStraw, a point-of-use water filter that provides clean water to people all over the world. At the same time, VF is a highly profitable business and reached over $500 million in revenues in 2010 (Cleary, 2011).

Intentions

VF started out as a pure for-profit company, not focusing on their externalities. However, when Mikkel V. Frandsen became CEO in the 1990s, the core mission of the company changed. Mikkel changed the purpose of the company into solving social problems, focusing on the UN's millennium goals (Vestergaard Frandsen, 2011). Their Humanitarian Entrepreneurship business model proves their movement in intentions from neutral to positive. This was not just a CSR PR stunt, but a genuine intent of imposing positive social change by helping others improve their quality of life.

It has proven difficult to find independent information about VF's suppliers and their internal CSR policy today. Based on an interview with Peter Cleary, the Communications and Public Relations Director for VF, the company works on ensuring good working conditions for all employees, regardless of where in the world they work.

Externalities

In 1957 in Denmark, the Environmental Protection Act of 1974 and the Cleaner Technology programs introduced in 1986, had not yet been introduced. These laws regulate chemical emissions and operational procedures (Søndergård, Hansen, & Holm, 2004) in industries. In addition, the textile and clothing industry is "(…) a labour-intensive, low wage industry (…)" (Nordås, 2004). This combined with VF's originally neutral intentions, leads us to assume that they imposed negative externalities.

When Mikkel changed their intentions, the entire venture changed their way of operating. The business model basically became to provide social change for end-users, while leveraging other externalities to provide profits. One example of how their business model works is a campaign launched in 2011, where VF is donating LifeStraw water filters to over 900 000 households in Kenya, covering almost 90% of the population that doesn't have municipal water sources (Vestergaard Frandsen, 2011). The company has spent over $30 million on the project, and at first sight it would seem like a philanthropic campaign. However, by donating the LifeStraws, VF is actually reducing carbon emissions. This is because Kenyans today boil water using fossil fuels to obtain clean drinking water. The carbon credits earned from reducing these emissions are given to VF by the Kenyan government, allowing VF to sell them to western markets, generating profits for the company. In addition, thousands of Kenyans will be employed to distribute and maintain the Lifestraws. VF ensures that infrastructure is improved, building a maintenance industry in connection with the product. In this sense, they are redefining the market and enabling local cluster development. The project also gives VF incentives for reinvesting and ensuring the quality of the project, as their carbon credit revenue is directly linked to the project's performance. In other words they secure shared value for the entire value chain (Porter & Kramer, 2011).

Their influence on their externalities has, as shown, changed from negative to positive. This was not a sudden process however. While changing their mission was almost an overnight process, changing their entire value chain and operations was a much greater task.

Vestergaard Frandsen in the model

VF started out in 1957 as a Shark in the bottom left quadrant of the model because of the combination of their neutral intentions and the fact that they were a 1950s clothing manufacturer which indicates negative externalities. Then their novel Humanitarian Entrepreneurship business model was introduced, changing the way the company was working. With the change in mission, VF moved up in the framework. However, since the change in what they actually achieved externally was a gradual process, they moved via Posers before reaching Angel status, which they have today. VF proves that solving social problems, while maintaining positive externalities, is possible (and can be highly profitable).

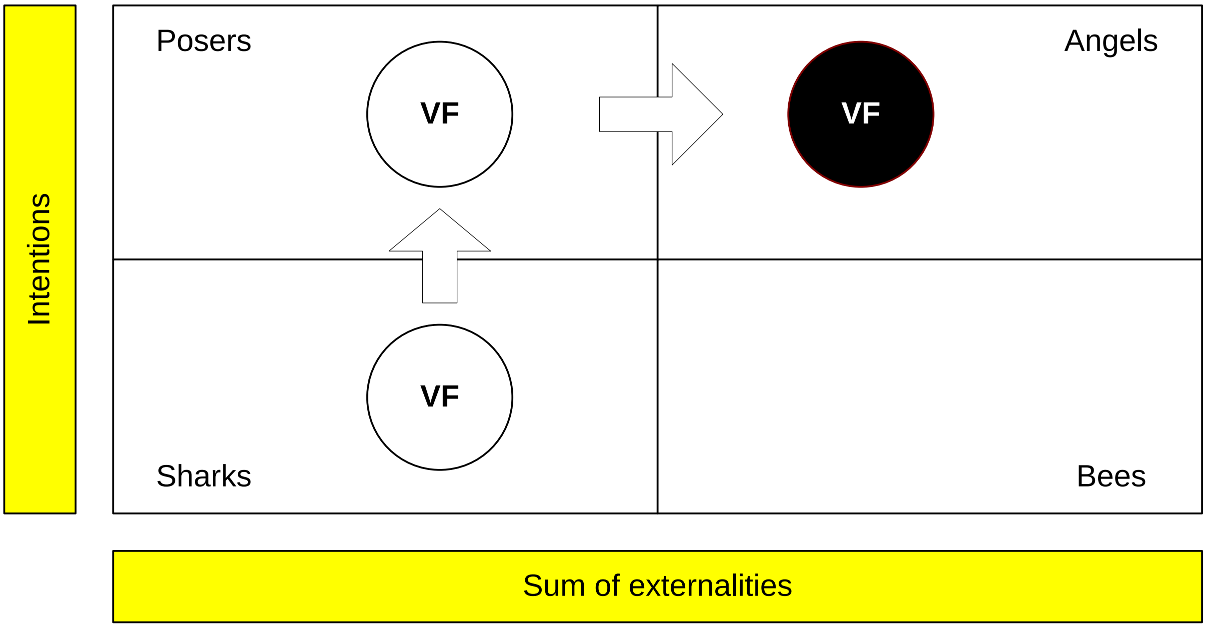

Figure 6: Vestergaard Frandsen in the model

Dynamics of the framework

As shown in the cases, there can be several reasons for ventures to change their position in the framework. While we have found examples of ventures trying to move toward the right end of the framework, we also found that this doesn't happen by itself. For a Shark to start voluntarily internalizing externalities requires some change in intentions. However, adopting a socially beneficial intent does not automatically imply the company changing its sum of externalities immediately. Changing externalities is a gradual and longer process, not necessarily directly linked to a change in intentions. Based on the inertia and self-reinforcing mechanisms previously described, we find some interesting dynamics when ventures are moving in the model.

Changing class

Even though there are reinforcing factors in the quadrants in the framework, and inertia effects associated with moving around in the framework, both Vestergaard Frandsen and Jaipur Rugs Company have moved between the different classes as showed in the case research. From what we have seen, it seems likely that some movements are more common than others, and some are unlikely or even impossible.

Moving vertically

As seen in the cases, moving from neutral intentions to positive can result from a change in mission or values for ventures. This has to be a clear direction set by management, and it has to be genuine in order for the venture to achieve movement in our framework. In other words, a PR campaign using CSR as a pure buzzword will probably not lead to the company changing position. Some relevant events that can lead to real change in intentions are ownership change or a forced change from external market forces.

Ownership change happens often in the business world, and since a venture's direction often is a reflection of its management's intent (Bird, 1988) the change in ownership and management can lead to a genuine change in intentions. This was also the case in our case company, Vestergaard Frandsen, where the change of CEO caused a companywide change in policy and intentions. The change can also happen the other way, which can be the case in for-profit social ventures where the entrepreneur is forced to issue new stocks when doing emissions. As the entrepreneur's ownership becomes diluted, he or she is often replaced by more experienced CEOs. In the business and investment world, a more seasoned and experienced CEO is often synonymous with a more profit-seeking CEO, leading to a change in the venture's intentions downward in the framework. The focus on stakeholder value can change into a focus on maximizing shareholder value, which could mean an intention towards increasing externalization as implied by Monks' shark analogy (Monks, 2005).

Forced change from the market is becoming more common as the media makes business operations more transparent and puts pressure on ventures to change their operations (Garriga & Melé, 2004). Oil spills, working conditions for third world employees or irresponsible environmental policies are some examples of factors that may lead to boycotts or a public outcry for change when exposed in the media. One can argue that this is not a voluntary change for the company that has to change its intentions, and that this surely can be considered to be a branding issue. However, as seen in for instance major oil spill catastrophes, the change can be genuine (Hooghiemstra, 2000), and the news stories can even be a wakeup call for the management that might not have realized the negative impacts they had on their surroundings (Hagen, 2008).

More specifically for the vertical movement, moving from Shark to Poser is possible when changing leadership and management as seen in the Vestergaard Frandsen case. Movement the other way, from Poser to Shark is also probable if ownership changes through an emission lead to a more profit-seeking, shareholder value maximizing focus.

A move from Bee to Angel can occur after the management realizes their actual effect on their externalities, as was the case with Jaipur Rugs Company. This awareness and the change upwards can of course incur an even stronger establishment of their position on the horizontal axis as well. In the case of JRC, an opportunity to affect society was discovered, and by becoming aware of it and consciously pursuing it, the company was able to increase the effects. Moving the other way, from Angel to Bee, can also be regarded as possible. When changing management and owners, the company's intentions will change before externalities will change due to the inertia effect.

Moving horizontally

Implementing the new strategy and changing operations is a gradual, complex and resource intensive process. Changing a venture's sum of externalities is difficult, since it is a sum, a result of many different factors. In other words, the venture's entire value chain will affect the result, and controlling this is often very difficult. Therefore assumptions must be made as to the effectiveness of the changes introduced.

A factor that can induce a movement from Angel to Poser, is actually the same factor that can create a lock-in in the Poser class; a company blinded by their own rhetoric (Hagen, 2008). As management knows their venture is an Angel, they become less vigilant in their efforts to internalize externalities, leading to the venture overlooking future negative externalities. In time, this can lead to their sum of externalities becoming negative, moving the company from Angel to Poser.

Moving from Poser to Angel was the case with Vestergaard Frandsen, and will occur when the company's intentions are transformed to concrete action and a real change in operations and activities. This is as previously mentioned not an overnight process, and therefore the Poser class can work as an intermediary as the company moves from Shark towards Angel.

A venture moving from Shark to Bee is something that can be hard to imagine happening. However, an "accidental" change in operations leading to a positive change in externalities may still happen. Moving from Bee to Shark can however occur when the accidental change is discovered and changed back, but also if a change in management has changed the intentions and the Bees class only is an intermediary on the company's way back to Shark due to the inertia effect.

Diagonal movement

We have no empirical evidence showing a direct, diagonal move in the framework. Because of the inertia effect in the horizontal movement and since a positive change in intentions leading to a negative impact on externalities and vice versa, a diagonal movement is something we consider improbable. We therefore deem it unlikely that movement between both Angels and Sharks, and Posers and Bees in both directions as improbable.

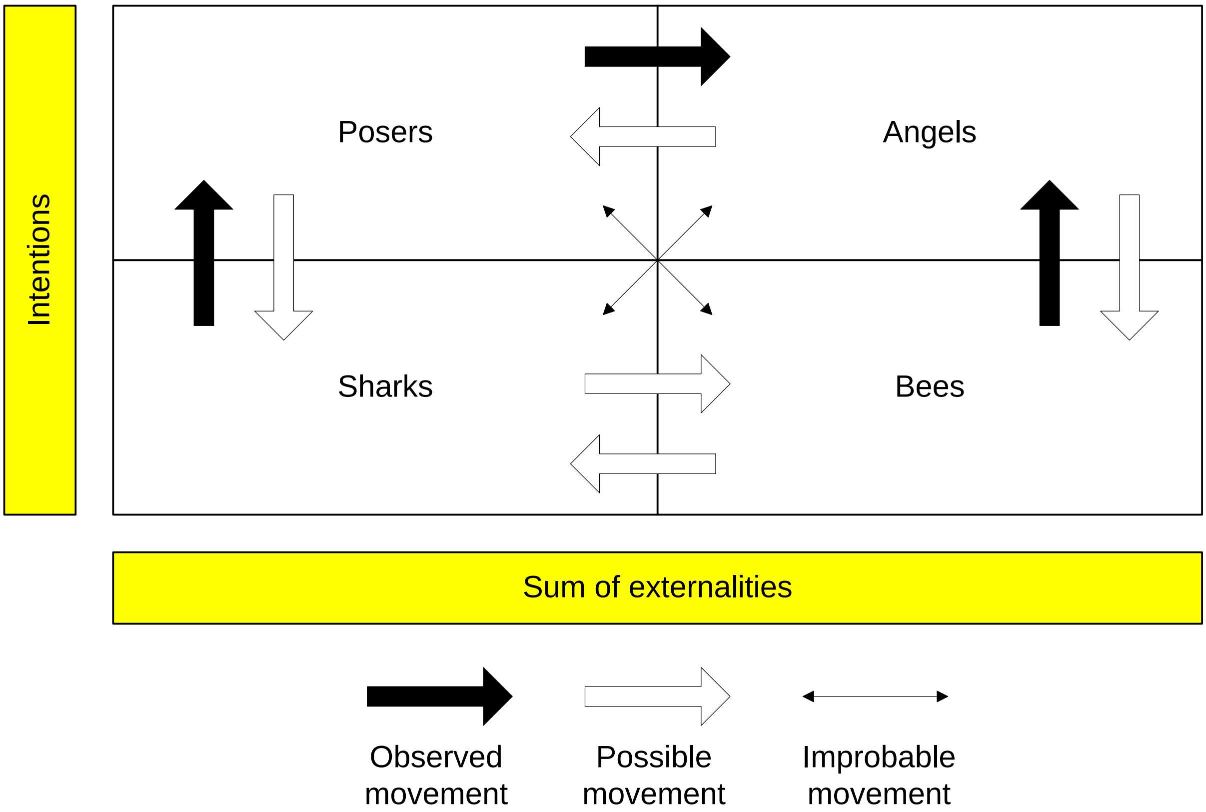

Figure 7: All observed, possible and improbable movements in the framework

Figure 7 shows all movements that have been observed in the case ventures, and the movements that seem possible in other ventures. The case ventures we have chosen to exclude in this paper do not exhibit any movement other than those observed in the included cases.

Conclusion

We have developed a conceptual framework in order to classify ventures based on their social efforts and social effects. This has allowed us to view the nature of all types of ventures in a new light. While we have shown that the framework can be used to describe real-world ventures both in a static state and as they move when changing policy, mission and operations, there are several mechanisms in the framework that have proven to complicate its dynamics (such as inertia effects). It is our hope that this framework will prove useful for both researchers and managers in the future.

Framework evaluation

There are some limitations to the framework. It is based on a qualitative case study conducted over a limited time period using historic data provided by the company themselves. This reduces the generalizability of our findings, and further research is recommended to explore the model and look at other aspect we may have overlooked.

Additionally, the axes are binary, which we chose as a simplification in order to describe the businesses in a practical way. However, reality is not as black and white, and most ventures will have very different coordinates even in the same class. Regardless, the framework has proven capable of classifying ventures according to their social effort and effect.

Implication for researchers

We suggest that further research on the framework focus on the dynamics. More specifically we suggest looking at Posers, which we assume will become more populated as increasing CSR focus and impact awareness will push businesses towards changing their policy.

We also recommend examining the implications of the axis in the framework being binary. We realize that reality is not binary, and recommend research where each class can be further divided. Inserting scalable units on the axes can also prove useful in order to get a relative view of ventures. This can help to further illuminate the correlation between social effort and effect.

Implication for managers

In addition to the aspects presented for further research, our framework offers implications for managers. Our results from analyzing the framework, and especially its dynamics, may help managers become aware of the lock-in effects that may occur and the dynamics in moving from one class to another. Many may also experience a revelation when realizing that there are inertia effects, which can help them prepare for the mismatch between intentions and results. We believe that our framework, though abstract in its design, can have real-life applications.

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Thesis Paper B

Are all ventures social ventures? A method for evaluating a venture's social efforts and social effects

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Abstract

In this paper, a method is developed to measure the social effort and social effect of ventures. To do this, a conceptual framework developed in a previous paper is extended and a set of measurable indicators for each dimension in the framework is found. A survey is conducted to collect data in order to search for a correlation between the two dimensions "social effort" and "social effect". The findings from the survey indicate a linear correlation between the two. More importantly, we find that the ventures are spread in a continuous scatter on the two dimensions. The implication is that the division between social ventures and traditional ventures does not provide an accurate picture. All ventures can be said to have social properties, and the relevant question is **to what degree.** As society expects more social responsibility from ventures, a tool for measuring the social efforts and effects of all ventures is due. We believe that our framework provides useful assessment tools for investors and opens for further research in the field of social entrepreneurship. In addition, we have through our research shown possible applications for managers by developing reports on how the respondent ventures scored in the framework.

Introduction

Ventures across all sectors are increasingly accepting that they have a social responsibility to society as they adapt corporate social responsibility (CSR) into their operational thinking (Hamann, 2004), voluntarily file sustainability reports (Hooghiemstra, 2000) and shape their strategy around shared value creation (Porter & Kramer, 2011). At the same time, the number of social ventures is steadily growing (Austin, Stevenson, & Wei-Skillern, 2006) and new innovative, business models are appearing designed to fund the efforts of both for-profit and non-profit social ventures (Brugmann & Prahalad, 2007).

On the heels of these trends come the skeptics who argue that CSR functions mainly as PR initiatives for traditional (for-profit non-social) ventures (Frankental, 2001; McKibben, 2006) and that innovative for-profit social ventures dilute their social goals in their pursuit of income (Foster & Bradach, 2005). In short, the sincerity and actual effect of the social efforts made by both traditional and social ventures is being questioned. To address this issue, generic methods of evaluating the social input and output of all types of ventures are increasingly in demand. It could be that attempting to classify ventures as either "social" or "traditional" is not as important as the literature seems to dictate. Instead, a discussion of all ventures' role in society may be appropriate.

In a previous paper (Gamnes & Berntsen, 2011) we designed a conceptual framework for comparing social effort and social effect in all types of ventures based on theoretical aspects from both traditional economics and social entrepreneurship literature, and we demonstrated this framework using a set of case ventures. This framework was generic in nature, and intended to classify both social ventures and traditional ventures on the same criteria. While the framework itself provides a classification of ventures' efforts and effects, its qualitative nature complicates its use in mapping ventures relative to each other. We will use the same framework in this paper, but because we need to score ventures relatively to each other, we will adapt the framework to quantitative use. First, we will extend the dimensions of the framework to be continuous scales on both the social efforts and the social effects dimensions. As the variables in the framework are difficult to measure directly, we will find a set of indicators to evaluate ventures based on social entrepreneurship literature as well as CSR and sustainability reporting standards. We will conduct a survey to measure the indicators among ventures in different industry sectors, countries and at different maturity stages.

The results from the survey will provide a basis for evaluating the correlation between efforts and effect, and to investigate the continuity of scores on both dimensions. We propose that the real world is not black and white; that ventures are not divided simply into social ventures and traditional ventures. We expect our findings to strengthen this proposition. In addition, we believe that our evaluation method can provide useful insights for managers of ventures when assessing their social performance.

Developing indicators from abstract concepts

The framework we are using to analyze ventures evaluates them on two dimensions: *social efforts* and *social effects*. These two dimensions are abstract concepts that are only useful for describing ventures in a conceptual sense. When applying the framework to empirical data, these concepts must be expressed by some properties or *variables* of the ventures examined. The concept of social efforts can be expressed by the variable *social intentions* – that is, a venture's position on the social efforts dimension depends on to what degree the venture has intentions of creating social value or offsetting social cost. Social effect is explained in terms of a variable we call the *sum of externalities*. This can be understood as the sum of *social cost and social value creation* the venture imposes on society. Both the abstract concepts and the variables expressing them were originally developed in our previous paper on the same subject (Gamnes & Berntsen, 2011). In this paper, we aim to develop a set of measurable indicators that allow us to infer the actual levels of social effort and effect.

Both dimensions are comprehendible on the abstract level, as well as on the venture property level. However, the framework as presented in the previous paper is only usable for a qualitative evaluation of ventures. This is because neither variable – that is, neither the venture's intentions nor the venture's sum of externalities – are directly observable and as such cannot be measured. Both are complex constructs with numerous dependencies which can vary with contextual factors such as business sector or geographical region of operations. Even so, we believe that there exists some definite, objective score for each variable that transcends context. Looking to statistics, we find that *latent variables* – that is, hypothetical constructs that cannot be directly observed, such as the venture properties we are examining – can be determined by identifying an appropriate set of measurable indicators, and extrapolating the latent variable from these (Bryman, 2001; Jöreskog & Goldberger, 1975). Figure 1 illustrates how the two dimensions are broken into increasingly observable factors.

Abstract concept	Social effort	Social effect
Latent variable	Intentions	Sum of externalities
Indicators	?	?

Figure 1: Three layers of the effort and effect dimensions

Before we can measure the indicators that will let us infer ventures' social effort and effect, we need to identify what they are and how we should go about rating their relative importance.

Social effort

The social effort dimension of the framework describes the intentions that ventures have to create social value. To understand this dimension, imagine the following oversimplification: either a venture exists to address a social problem, or it exists to make money for its shareholders. Clearly, the real world is more nuanced than this. While a manager in a traditional for-profit venture is expected to make profitable choices, his choices will always be affected to some degree by the venture's corporate values and by his sense of social responsibility. How strong this sense is, and how well the venture's values conform to society's needs, will vary from venture to venture. Similarly, a manager in a social venture is expected to make choices that benefit the cause the venture is working for, but he also needs to ensure the activities of the venture are financed.

If the social efforts of a venture aren't black-and-white, our social effort dimension cannot be binary. Because we do not believe ventures have negative social intentions (at worst, they have no social intentions), this dimension should encompass a continuum of social intentions ranging from "no efforts made" to "social efforts are the venture's only concern". Because we have seen that there can be many different reasons for a venture to make social efforts, and as we have already established that we cannot observe the latent variables directly, we need to find a set of indicators for a venture's total social efforts.

The social intention of a venture is the sum of perceptions, motivations and ideas that the employees of that venture operate under, that guide employees in their efforts. It could be argued that the sum of these indicators reflects this intention, but we will instead turn the equation around and claim that the intention is caused by the very same indicators. An example that explains this claim can be found in times of organizational change; a venture changes its mission statement and values first, then attempts to alter the organizational attitudes and action patterns to match these – not the other way around. This leads us to believe that the indicators of social intentions are formative rather than reflective in nature. We will therefore construct a *formative index* (Diamantopoulos & Siguaw, 2006) for evaluating a venture's social intentions.

Indicators

We need to base measurement on the indicators that most strongly express a venture's intentions. In our previous paper we looked at ways of measuring the social intentions of ventures, and found two indicators that proved important (Gamnes & Berntsen, 2011):

- **Social venture:** Social ventures, whether for-profit or non-profit, exist primarily to serve some social mission, meaning they have strong social intentions. As there are no universal objective ways of telling if a venture is a social venture or not (Dees, Haas, & Haas, 1998), our indicator will be whether or not the managers of the venture consider it to be a social venture or not.
- **Mission statement:** Although there are no uniform structures to mission statements, they can be expected to reveal information about the venture's corporate philosophy and desired public perception in addition to describing the venture's *raison d'être* (Pearce II & David, 1987). Non-profit organizations' mission statements often describe who the key stakeholders are, and how they should be served (Bryson, 1988). Our indicator is therefore whether or not the mission statement contains references to social values.

While both indicators help us identify ventures with strong social intentions, we must also identify indicators that describe social ambitions that are less explicit. Not being a social venture is not the same as making zero social effort. We therefore include the following indicators from CSR and social reporting literature in our social effort indicator list:

- **Sustainability reporting:** Participation in voluntary sustainability reporting programs indicate a willingness to evaluate social and environmental impact. This kind of reporting is not directly tied to improvement efforts, but the indication of efforts made is strong, especially when reports highlight areas with potential for improvement (Hedberg & von Malmborg, 2003).
- **Social responsibility and environmental responsibility branding:** Marketing brands as socially or environmentally responsible creates expectations of social responsibility, both externally and internally (Hagen, 2008). As both employees and customers become influenced by the branding, the communal attitudes in the venture are shifted, and decision-making is affected.
- **Corporate level strategies to address social issues:** Constructing and implementing strategies to address social issues are signs that ventures are serious about social impact (Diller, 1999).
- **ISO 14000 and ISO 26000 compliance:** ISO 14000 is an international standard series concerning environmental management, created to guide companies to obtain processes with low environmental impacts. ISO 26000 is a relatively new (2010) international standard governing social responsibility. While certification exists for ISO 14000, ISO 26000 is only meant to offer guidance and not certification. Compliance with either series is voluntary, and efforts to comply with the criteria in the standards are thereby clear indicators of social effort (Johnson & Greening, 1999).

In addition to helping us identify social efforts from non-social ventures, these indicators also serve as triangulation for validating the efforts of social ventures.

Social effect

The social effect of a venture's activities is expressed by the venture's sum of externalities, as we showed in our previous paper (Gamnes & Berntsen, 2011). The sum of externalities encompasses all effects the venture has on its surroundings, excluding the direct financial impact on its shareholders and the direct financial impact from taxation[1]. Ideally, there would be a correlation between the intentions of the venture and these effects, as the intentions describe the impacts the venture aims to effect. As such, the sum of externalities could be determined by a formative index, using the venture's intentions as indicators (or rather, the indicators for the venture's intentions). Doing so, however, would imply that intentions and effects are the same things, which clearly is not true (Gamnes & Berntsen, 2011). Luckily, there are more strongly correlated sources available. The externalities of a venture are clearly reflected in the venture's surroundings. For that reason, it makes sense to search for a set of *reflective indicators* (Coltman, Devinney, Midgley, & Venaik, 2008).

Because externalities by definition affect bystanders' utility, and because utility is subjective, the sum of externalities should ideally encompass all positive and negative effects a venture's actions has on all conceivable bystanders (Gamnes & Berntsen, 2011). This means we should search for indicators in

[1] While there might be tacit social effects from taxation, investigation of these effects is outside the scope of this paper.

any area where a venture can create social value or incur social costs. In reality, some of these indicators describe powerful effects, while others are almost insignificant. As it is practically impossible to map all effects, our indicators should capture those areas where ventures are likely to have the greatest impact on society.

To find these areas, we look to the growing body of social investment assessment mechanisms that are emerging in the financial universe. This includes voluntary reporting initiatives, as well as several social responsibility and sustainability indices, which typically have requirements stating which indicators should be reported on or investigated to make ventures eligible for inclusion. There is a large degree of overlap between the indicators used in these mechanisms, which we interpret as a sign that they cover the most important areas of social effect. We have chosen the following four already established evaluation tools to synthesize our indicators. They were chosen based on their established position in sustainability and social reporting (Gjølberg, 2009).

- **The Global Reporting Initiative (GRI)** is a network-based organization that has developed a world-wide sustainability reporting framework. The framework consists of principles and indicators for measuring and reporting economic, environmental and social performance. We chose to include indicators from this framework because of its extensive and well-founded set of indicators, its large number of reports collected, and its status in CSR reporting literature. (Brown, de Jong, & Lessidrenska, 2009)
- **The Global 100 index** is a ranking of the top 100 sustainable and financially performing companies that is presented annually at the World Economic Forum. We included indicators from this index because they are based on work by internationally recognized investment agencies in cooperation with social enterprises.
- **The FTSE4Good index series** is an index series created by FTSE, a company owned by the Financial Times and the London Stock Exchange. This index adjusts for sector and geographical region, which provides interesting perspectives for our indicators.
- **The Dow Jones Sustainability Index (DJSI)** is an index focusing on creating long-term shareholder value by including more than just financial factors in valuating ventures. We included the index because of its importance in sustainable investment.

Indicator synthesis

Each of our four sources of indicators contained a set of evaluation criteria organized in some grouping unique to that particular source. Our process for synthesizing our own set of indicators from these started with breaking each set into its key components. While the various sources had sorted their evaluation criteria in categories or groups, we went down to the bottom level and collected each individual criterion. This resulted in a total of 195 different criteria. These components from all four sources were then mixed together, and similar entries were eliminated by either removing duplicates or combining closely related criteria. In the end, we had 36 unique, mutually exclusive indicators as shown in Figure 2.

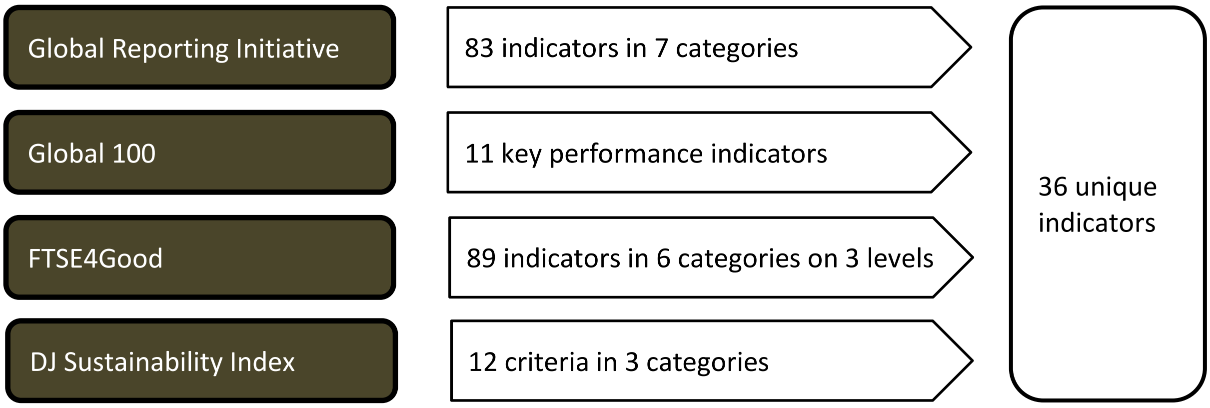

Figure 2: Process of breaking down indicators from sources into key components

Having found the 36 unique indicators, we sorted them into 14 aspects to provide a more adequate grouping for analysis. Each aspect covers between one and four indicators from the original 36. We then sorted the aspects into three classes: *environmental indicators, human and labor rights indicators and socio-economic indicators*. The classes were derived from our own grouping, while also taking the indicator-sources' division into account. The classes allow us to analyze results and implications on a more categorical level. This process is illustrated in Figure 3.

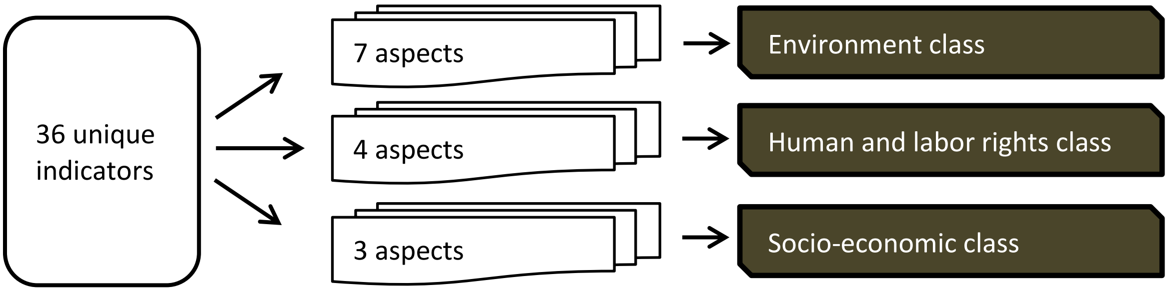

Figure 3: Process of grouping indicators into classes and aspects

The resulting classes, aspects and indicators are shown in Table 1.

Table 1: The social effect indicators, grouped into aspects and classes

Class	Aspect	Indicator
Environment	ISO 14000 certification	Certification
	Waste management	Total waste Waste reduction initiatives Recycling Packaging and products
	Water Use	Total water use Water reuse initiatives Water saving
	Energy Use	Total energy use Efficiency activities
	Emissions	Total carbon emission Toxic emissions
	Deforestation	Deforestation involvement Initiatives to prevent deforestation
	Wildlife	Species threatened by extinction Wildlife preservation initiatives
Human and Labor rights	Human Rights	Child Labor Human rights screening
	Health and Safety	Injuries Diseases Deaths
	Gender Equality	Women rights activities Female-male ratio Anti-discrimination policy
	Employee Welfare	Employee compensation Working hours Bargaining agreements
Socio-Economic	Knowledge creation	Innovation Average employee education level Employee training
	Community Development	Local supplier sourcing Local hiring Local infrastructure investment Local development programs
	Corruption	Internal anti-corruption policy Supplier anti-corruption screening

Indicator rating and survey scoring

While we discovered a descriptive set of indicators for both social effort and social effect, not all indicators are equally important when evaluating ventures' social efforts and effects. We therefore rated the indicators so they carried different weight. Unfortunately, there was no easy way to objectively rate the indicators. For instance, how much more important is a social mission than environmental branding when assessing a venture's social intentions? Does a high innovation rate counterbalance the negative externalities tied to deforestation? Are the externalities tied to child labor more severe than the ones for corruption? As there was no clear way of addressing these questions objectively, we needed to rely on subjective assessment.

We chose a rating scale of 1 to 10, where 1 was the least important and 10 the most, and we rated all the social efforts indicators on this scale. The first two social efforts indicators – whether the venture is a social venture and whether its mission statement contains a social mission – are the strongest indicators, and should be treated as the most important ones, so we initially set both as 10, and rated the others relative to these. For the social effects indicators, we first rated each class of indicators, before rating each aspect within each class relative to each other. Doing this ensured the aspects' impact on the total effect score was adjusted by its class rating.

It is important that the indicators are weighted from society's point of view, as it is the effort to influence and impact upon society we are trying to measure. Realizing that our own subjective rating would not necessarily reflect that of society, we triangulated our rating by asking ten peers – students at NTNU – to rate the same indicators on the same scale. We used the average results from this triangulation to adjust the final rating. The deviation between the ratings was surprisingly low, and we therefore felt that the average result provided a somewhat representable rating. Table 2 shows the final social efforts indicator rating, Table 3 shows the rating of the social effect classes, and Table 4 shows the rating of each social effect aspect. The rating is rounded off to the nearest integer value, and the weighting is rounded off to the nearest whole percent score.

Table 2: Rating of social efforts indicators

Indicator	Rating	Weight
Self-definition as social venture	9	22%
Mission statement containing social value creation	9	22%
Participation in reporting initiatives	4	10%
Social responsibility branding	1	2%
Environmentally friendly branding	1	2%
Corporate-level strategy for environmental issues	4	10%
Corporate-level strategy for human and labor rights issues	3	8%
Corporate-level strategy for socio-economic issues	4	10%
Compliance with ISO 14000	3	7%
Compliance with ISO 26000	3	7%

Table 3: Rating of social effect classes

Category	Weight
Environment	35%
Human and labor rights	30%
Socio-economics	35%

Table 4: Rating of social effect aspects

Category	Aspect	Rating	Weight
Environment	ISO 14000 certification	5	13 %
	Waste management	6	15 %
	Water Use	7	17 %
	Energy Use	6	15 %
	Emissions	8	20 %
	Deforestation	4	10 %
	Wildlife	4	10 %
Human and Labor rights	Human Rights	6	30 %
	Health and Safety	6	30 %
	Gender Equality	3	15 %
	Employee Welfare	5	25 %
Socio-Economic	Knowledge creation	7	35 %
	Community Development	7	35 %
	Corruption	6	30 %

Because we will conduct a survey, the indicators were adapted into questions. Therefore we did not rate the indicators directly, but rather rated the aspects relative to each other. The answer alternatives for each question in the survey were rated from +1 to -1. Our rating of the survey questions, as well as the possible scores from the answer alternatives for each question, is found in Appendix C.

Method

In order to investigate the correlation between social effort and effect in our framework, we constructed a quantitative, non-experimental, relational research design (Bryman, 2001). To find how ventures scored in the framework, we needed some way of measuring the indicators we had constructed. Practical constraints dictated we could not obtain an objective measurement of all indicators for a sufficient number of ventures. Because of this, we decided on a self-reporting mechanism; managers would report through a survey (to the best of their knowledge) a measurement of each indicator for their venture. In order to quickly and efficiently get a high number of responses, we created a self-completion questionnaire that we distributed electronically.

Developing the questionnaire

When developing the questionnaire for gathering the data, we chose to use closed questions since they are easier to answer for respondents and were likely to increase our response rate (Bryman, 2001). In addition we wanted answers that are easy to compare in order to be able to readily apply our framework to the responses.

Our indicators needed to be adapted into questions suitable for a self-completion questionnaire. In the process, we needed to take care to avoid language that could influence a respondent's response. This process necessarily required us to rephrase our questions from how the indicators originally were defined. In order to reduce the deviance between the original aspects and the questions, we iteratively went back to the aspect the questions belonged to in order to verify the question's relevance (see Figure 4).

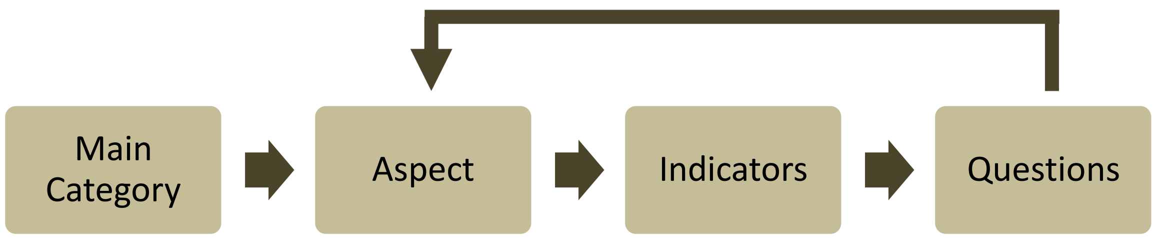

Figure 4: The question generation process

Conducting the survey

To find our respondent sample, we used our academic network to get in touch with CIOs or CEOs. As we wanted to test a generic framework, we sampled ventures regardless of contextual factors such as type, size and geographical region. This resulted in a total of 55 potential respondents, to whom the questionnaire was distributed to by email.

To increase the response rate, and test the managerial applications of the framework, we promised each respondent a report with their results.

We have taken measures in order for the results to be as realistic and unbiased as possible. We informed all respondents in advance that their answers would be anonymized, to reduce the risk of self-selection. The questions themselves ran the risk of revealing the aspect being measured, which could lead to respondents adapting their answers in order to score higher in each aspect. To lower the risk of this occurring, we have tried to develop questions that obscure the aspect being investigated.

Codifying the results

When answering the questionnaire, the respondents replied to likert questions designed to measure the indicators we had designed. Each likert question belonged to one of two groups: either the social effort or the social effect indicator group. Because we were ultimately trying to find a total score on each of these two dimensions, the likert question replies were summed for each group to form a *summative likert scale*, providing a total score (Trochim & Donnelly, 2006).

Analyzing the results

As we wanted to assess patterns and trends in the data, we were not looking for a large sample or specific results to test. Therefore no statistical analysis has been conducted. By analyzing patterns in graphs instead of numbers, we were able to interpret the results in a more general and intuitive sense, which let us look at the larger picture instead of focusing on specifics.

Method evaluation

While our method allowed a cheap, convenient and quick way to get a high number of responses (Bryman, 2001), it ran the risk of resulting in inaccurate or incomplete data. Managers could easily overvalue their own venture's score on the indicators. To reduce their incentives to do this, the managers were informed in advance that their answers would be anonymized. Another potential problem results from the fact that self-completion questionnaires do not offer complete insight into each respondent's venture. As researchers, we did not have the opportunity to follow up on areas where the respondents were uncertain to gain a thorough understanding of each case, so we risked missing data that could have resulted in different scores.

Results

We invited CIOs and/or CEOs from 55 ventures across all industry sectors in different countries to participate in the survey. From these, we received 19 replies from ventures in Norway (13), India (2), Switzerland (1), USA (1), Sweden (1) and the UK (1), resulting in a response rate of 35%. This response rate might seem surprisingly high, especially considering that the questionnaire was of substantial length, containing over 50 questions. However, it should be kept in mind that the response rate was increased as respondents were contacted through our network at NTNU. The distribution in venture type, size, age and geographical region, provided an appropriate sample for the generic framework. Table 5 shows the results from the survey.

Table 5: Questionnaire scores

ID	SI	SE	SEnv	SHLR	SSE	Industry Sector	NP	#E	Est.	HQ
1	0,02	0,03	-0,01	-0,04	0,09	Consumer Staples	No	3	2011	Norway
2	0	0,13	0,00	-0,05	0,17	Information Technology	No	5	2010	Norway
3	0,38	0,28	-0,03	0,13	0,18	Consumer Discretionary	No	2	2010	Norway
4	0,21	0,05	0,00	-0,06	0,12	Information Technology	No	7	2011	Norway
5	0,58	0,20	-0,02	0,08	0,14	Materials	No	23000	1905	Norway
6	0,31	0,26	0,02	0,07	0,17	Health Care	No	110	1993	Norway
7	0,45	0,36	0,01	0,14	0,21	Industrials	No	1044	1997	US
8	1	0,48	0,02	0,19	0,27	Health Care	No	160	1958	Switzerland
9	0,79	0,48	0,07	0,18	0,23	Information Technology	No	3	2010	India
10	0,47	0,29	0,03	0,08	0,18	Information Technology	No	10	1996	Norway
11	0,6	0,28	-0,02	0,12	0,18	Industrials	No	60000	1896	Sweden
12	0,79	0,27	0,01	0,08	0,18	Consumer Discretionary	No	230	2006	India
13	0,56	0,15	0,00	0,03	0,11	Humanitarian	Yes	0	2011	Norway
14	0,5	0,21	0,00	0,05	0,16	Consumer Staples	No	30000	1654	Norway
15	0,45	0,29	-0,02	0,10	0,21	Consumer Discretionary	No	4	2008	Norway
16	0,67	0,28	-0,04	0,10	0,22	Energy	No	20000	1972	Norway
17	0,67	0,28	-0,04	0,08	0,24	Energy	No	80000	1909	UK
18	0,23	0,30	0,03	0,08	0,19	Consumer Discretionary	No	170	1973	Norway
19	0,76	0,47	0,09	0,13	0,26	Humanitarian	Yes	430	1865	Norway
-	0,52	0,28	0,01	0,09	0,19	(Average value for each score)				

The table columns are as follows: ID (the respondent ID), SI (score, intentions), SE (score, sum of externalities), SEnv (score in environment class), SHLR (score in human and labor rights class), SSE (score in socio-economics class), industry sector, NP (Non-profit or not), #E (number of employees), Est. (the year of venture establishment), HQ (country where main office is situated).

Discussion

The purpose of this paper was to develop a method for evaluating the social efforts and social effects of ventures. We also wanted to look at the correlation between the two dimensions. In order to explore possible implications of our evaluation method, we illustrated the data using graphs allowing us to look for patterns and trends.

Social efforts and effects

The graph in Figure 5 shows a scatter plot of the survey respondents' social effort and social effect. The social intentions axis ranges from 0 (meaning "no efforts are made") to 1 (meaning "social efforts are the venture's only concern") while the sum of externalities axis ranges from -1 to 1.[2] With a few exceptions, there appears to be a pattern of linear correlation between the two variables, represented by a dashed line in the figure. This is intuitively correct, as positive social intentions indicate a dedication for improving the sum of externalities of a venture. However, the externalities depend on many different aspects that are not necessarily considered in the venture strategy. That there still is an apparent correlation is a sign that the social efforts and social effect of ventures are indeed connected.

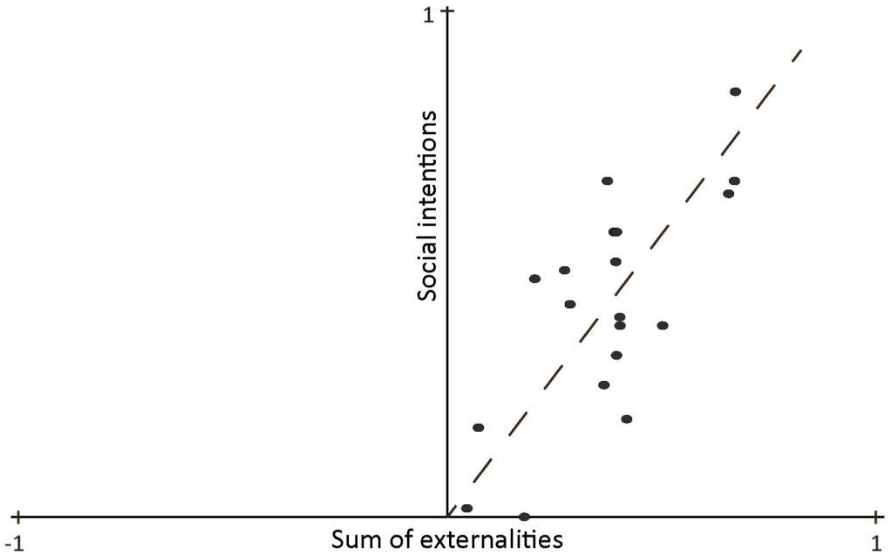

Figure 5: Intentions and sum of externalities from survey respondents.

A factor that supports the realism in the linearity of our results is that our sample does not contain any ventures in transformation processes in which their social intentions or sum of externalities are undergoing major change. In such processes, there is likely to be a misalignment between the two dimensions because of inertia effects – social effect changes are complex processes that take time (Gamnes & Berntsen, 2011).

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[2] The survey we conducted limited sum of externalities results to score between -0.45 and +0.74.

While there are strong signs of a correlation, we must also consider the possibility that our apparent linearity is caused by experimental error, such as the data being affected by the way our questionnaire and indicators were developed. We have indicators on all three classes in both the social efforts and in the social effects part of the questionnaire. This could lead to biased answers in the social effects part of the questionnaire as the respondents are inclined to match their answers in the social efforts part. On the other hand, in the social effects questions we ask about more fine-grained aspects, and not the overall class of effects. This disconnects the two parts of the questionnaire somewhat, and forces the respondents to closely consider their responses.

Positive sums of externalities

Another interesting observation is that none of the ventures in the survey score negatively on the sum of externalities dimension. Given that our data accurately represents reality, most ventures have a positive sum of externalities.

Considering the accuracy of our data, some possible sources of error should be examined. Our indicator rating values are based on subjective inputs, and run a risk of leading to non-accurate results. We have as previously mentioned triangulated our values with those of peers, but the group we asked does not accurately represent the mean of society, and even if they did it is not clear that the indicator rating should be conducted by consensus. Another source of error is self-selection: ventures that know they will score low on the sum of externalities are less likely to respond to the survey. Because we have anonymized the results, this will be offset to a certain degree, but the problem is not eliminated. Finally, managers of the ventures asked are biased, and their responses will be colored by their need to make their venture look good. To reduce the potential for this to occur, we have as previously pointed out tried to develop questions that obscure the real indicators that are being answered. This makes it hard for managers to adjust answers to achieve a higher score. In addition, anonymization reduced incentives for managers' bias.

While we cannot claim to have eliminated all potential sources of error in our data, we have taken steps to address each of them. Assuming that none of the sources of error has influenced the results to a significant degree, we have discovered that **most ventures do not in sum inflict negative externalities**. There may be examples of ventures that do, but the existence of such ventures is by definition not beneficial to society, which is why governments try to force ventures to internalize externalities in the first place. Ventures who inflict net negative externalities must therefore navigate a business environment characterized by laws and taxes designed to prevent them from being a burden on society. We find it unlikely that many ventures can survive for long under such conditions, which is a possible explanation for the fact that few ventures fall on the negative side of the sum of externalities dimension.

Class specific observations

Seeing that we are measuring a sum of externalities, ventures that score low in one class of indicators can compensate by scoring higher in another. This is the case with one of the respondents - a major oil production company. This company scored negatively in the environmental class but scored positively in the socio-economic class, where the company did especially well with regards to innovation and knowledge creation. In total, the company had a positive sum of externalities. Even so, it is clear that there are areas where they can improve.

The class-specific scores on sums of externalities are shown in Figure 6.

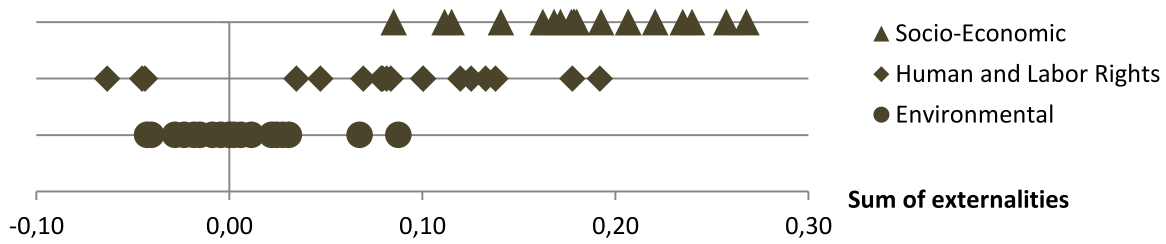

Figure 6: Class-specific sums of externalities

In the environmental class, ventures in general score lower than in the other classes, but it is also the most collected class. There can be several reasons for this, but we believe that the current focus on environmental issues in today's society play a significant role. Implementation of carbon quotas, intensive public scrutiny and strict regulations in global markets force ventures to be aware of and take steps to reduce their environmental footprint (Garriga & Melé, 2004). In many industries however, emissions and environmental effects are inevitable, which combined with the regulations leads to a collected, but low score for our respondents.

All of our sample ventures score high in the socio-economic class. This is partly explained by sample bias: our sample consists of several knowledge intensive ventures, and few non-tech ventures. This will of course create a focus towards knowledge creation and innovation, which will affect the socio-economic score. In addition, the ventures in our sample which are not high-tech, such as a large non-profit humanitarian organization, score highly on their focus on local sourcing and corruption policies.

In the Human and Labor Rights class, we see the largest spread between the ventures, which is as expected. We have a wide variety of ventures in our sample, and this class of aspects is the most exposed to variations in awareness. Human and Labor Rights is not something that early phase companies, for instance, will prioritize, which will give them a low score.

Corporate strategies yield results

To further investigate the correlation between efforts and effects, we looked at each class of externalities and compared the score with the venture's strategy to address issues in this class. The results from each class are shown in Figure 7.

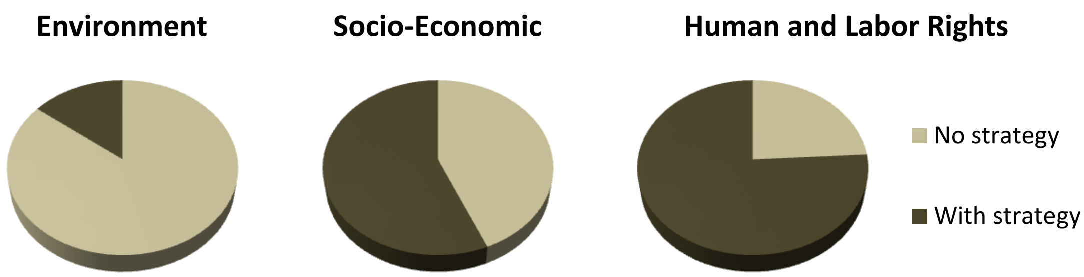

Figure 7: Class-specific average sums of externalities with and without a class-specific strategy

The figure shows the relative average sum of externalities for ventures with and without corporate-level strategies to affect their output in the three classes of externalities. We see that in the socio-economic, and human and labor rights classes, a corporate strategy within the class seems to lead to a more positive sum of externalities. However, the environment class shows the opposite case: it seems that a strategy to reduce the environmental footprint leads to a larger footprint. This seems counterintuitive at first, but it can be explained by the fact that environmental transgressions are heavily taxed, so ventures will always need to account for this without having a clear strategy to do so. The other two classes of indicators are less taxed. In these classes, a clear corporate agenda for preventing negative externalities can have effective results that will show on their sum of externalities.

Framework evaluation

Contextual factors

Our results indicate linearity between the dimensions in the framework independent of number of employees, country of operations and type of venture. Our indicators have been generalized to apply to all ventures, and we believe that the wide range of questions would even out extreme results from different contextual factors. However, based on our relatively low number of respondents, we cannot claim that our work is generalizable. From what we have learnt, we believe that more context specific criteria could ensure a more fair scoring system for all ventures. The FTSE4Good Index series, one of our sources of indicators, uses a sector specific rating system, where certain industries have stricter criteria for inclusion on certain indicators. One possible improvement of our framework is an adjustment to include a similar system with contextual consideration in the framework.

Indicator development

The social effects indicators do not include as many areas on the positive externalities side as the negative. This is because most of the factors in our sources of indicators are designed to uncover negative impacts, not positive. The result of this is that social ventures in particular to a certain degree may be misplaced in the framework – especially if their efforts are in areas our indicators fail to capture. While we have based our indicators on known and well-established indexes and rating systems, there is still room for improvement.

Indicator rating and measurement

As already discussed, the indicator rating is based on the subjective opinions of a small group of people. When improving the framework, this is something that should be addressed. It should be kept in mind that the indicators are there to measure the actual effect on society, and as such an objective rating based on the cost on society from the various factors could yield more accurate results.

Our only point of measurement of the indicators was the survey we conducted. In order to get truly objective measurements on a venture's performance, it is necessary to look beyond the evaluation from the venture's management. Supplementing the survey with careful document analysis and stakeholder interviews is likely to produce a more accurate measurement.

Factors not considered

An aspect we have not investigated is the potential social effect of taxation, in which taxes on one negative externality can help to better other externality classes by governmental intervention. Similarly, revenue-based income tax has not been considered. These are social economics points that have an influence on the venture’s total impact on society. By focusing on sums of externalities instead of on total social impact we have ignored these factors. In a total impact evaluation, however, they too should be considered.

Conclusion

Our results support our idea that there is not, in general, a clear division between social ventures and traditional ventures. It is instead a gradual continuum where all ventures have some degree of social effects. In other words, as the borders separating the two become more blurred, the discussion should not be about *what type of venture they are*, but *how they affect their surroundings*. We believe that this discussion can more fruitful in that it is not *how* a venture achieves its effects that is important, but rather ***which effects are pursued,*** and ***to what degree they are achieved*.**

An interesting observation we made is that none of the respondents scored negatively on the sum of externalities. We expected to find that most traditional ventures would be scoring poorly on this dimension, as it is in the nature of business to externalize costs (Monks, 2005). However, the data shows that while ventures may have negative externalities in some areas, they can make up for it in other areas.

We have also found that there was a clear correlation between social efforts and social effects regardless of contextual factors and venture types. In addition, we have managed to apply the framework to find trends and correlations on a more fine-grained level than the major social efforts and effects dimensions. Other interesting findings include that the variation in environmental externalities was low in the sample, and that the corporate level strategies did not necessarily impose a positive effect in this class as opposed to the other two classes.

The results show that the framework can be assumed to work independent of industry and context, but that more industry specific and contextual consideration can be made in rating the indicators to provide more valuable industry applications. The indicators themselves have proved useful in evaluating the latent variables *intentions* and *sum of externalities*, as the results are within the bounds of what we consider to be realistic. While we will not claim that the indicators are fully developed or that they accurately represent the complete picture, we believe they are a good basis for further refining and evaluation.

Implication for researchers

There are several aspects we would recommend for further research. The indicators we have used should be further evaluated, the indicator rating should be verified, and new indicators that can further improve the realism of the total score should be considered. If future research is conducted by survey, the questionnaire should also be further refined. We recommend considering alternative ways of measuring the indicators, however. Developing a method of measuring the indicators through document analysis and stakeholder interviews could provide a more objective and accurate way of evaluating ventures.

It is our belief that the framework can prove more useful in specific industries and settings if context-specific adjustments are made. This idea was implemented in the FTSE4Good Index. Adapting the indicators and the rating system to various specific industries can provide a more accurate analysis tool, as well as making the tool more relevant for managers.

We envision that the framework can be used on a larger quantity of ventures, which can allow for a more thorough analysis of the actual correlation between efforts and effects. By looking at specific industries or countries, the framework can prove to be a useful tool in finding where these sectors have the greatest potential for improvement, or where governments should focus their efforts in terms of incentives or taxation.

One interesting observation we made was that none of the ventures scored negatively on the sum of externalities dimension. While this means that all the ventures we investigated are, in sum, beneficial to society, it also underlines the fact that we have no clear line separating between social and non-social ventures. Keeping in mind that this framework was proposed in order to avoid a division of ventures into traditional and social, a possibility for future research is still to attempt some sort of sub-classification of ventures on the positive side on the externalities axis.

Implication for managers

The framework can be used as a management tool for evaluating how well a venture performs according to their efforts and purpose. If researchers manage to build industry specific databases with a larger number of ventures, managers can use their own position relatively to the industry average to evaluate how they perform instead of using the zero-point as a criterion for good-enough performance. As we have seen that none of the ventures scored negatively on the effects dimension, the zero-point criterion may not be a good benchmark for managers. We also believe that the tool can be used by managers who want to determine which areas they should focus their efforts in. By looking at the more fine grained data from each indicator or indicator class, the company can find where they score poorly and initiate relevant actions based on the findings. Assuming that the correlation we saw between the two dimensions is linear, managers can also use this to evaluate where the venture is compared to where it should be according to its intentions in the framework.

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Appendix A – Social Effects Indicator Sources

Below is a brief description of each of the sources used for developing the indicators.

The Global Reporting Initiative (GRI) is a network-based organization that has developed a world-wide sustainability reporting framework. Based on the Boston-based non-profit CERES' "Global reporting initiative" started in 1997, the first official guidelines were released in 2000 and have continually been updated since. The United Nations Environment Programme (UNEP) has been a partner since 1999, securing a world-wide platform for exposing the GRI, and today more than 1400 companies have reported based on GRI's framework. The framework consists of principles and indicators for measuring and reporting economic, environmental and social performance.

Website: www.globalreporting.org

The Global 100 index is a ranking of the top 100 sustainable and financially performing companies that is presented annually at the World Economic Forum. The initial selection is conducted by a set of financial advisory companies (e.g. Global Currents and Phoenix Global Advisors) choosing the top 10% of sustainability and financial performers from a set of more than 3500 market stocks. The resulting list of 300 companies is assessed against 10 equally weighed environmental, social transparency and governance indicators, resulting in the top 100 companies. According to the Toby Heaps, president of Corporate Knights, the companies "…[are not] perfect, but they're the best we've got", (www.global100.org, 2011) illustrating that this is a relative ranking, and that there is always room for further improvement.

Website: www.global100.org

The FTSE4Good index series is an index series created by FTSE, a company owned by the Financial Times and the London Stock Exchange. While FTSE have several indexes used by investors for finding objective market information, the FTSE4Good index series measures the performance of companies that meet globally recognized corporate responsibility standards. In their assessment of companies, FTSE pays special attention to rating the general impact of various industries before evaluating individual companies. In addition, certain high-risk countries are flagged for high social impact, and operation in these countries is also calculated into the index series. Companies meeting certain minimum criteria is then included in the index.

Website: www.ftse4good.com

The Dow Jones Sustainability Index (DJSI) is an index focusing on creating long-term shareholder value by including more than just financial factors in valuating ventures. The index score is based on the Corporate Sustainability Assessment of SAM Research and DJSI also include an external assurance report from Deloitte to ensure compliance with the defined rules set by DJSI. The data is collected through the SAM questionnaire, document analysis and direct interviews with companies. The index is not a ranking, but an inclusion-based index where companies clearing a certain requirement are indexed.

Website: www.sustainability-index.com

Appendix B – Social Effects Indicators

The 14 social effects aspects we found are listed below with a short description of each, and reasoning for why they are included. It should be noted that some of the aspects can only reflect negative effects, while others can reflect either positive or negative effects.

Environmental aspects

ISO 14000 certification

The ISO 14000 series is an environmental management standard series that helps organizations minimize the effect of their operations on the environment. The ISO 14000 certification is in other words a good indicator for how the venture affects the environment.

Waste management

Pollution and resource consumption are effects of waste production that negatively affect society. Recycling initiatives and resource efficiency offset this effect, and are both indicators that should be considered under this aspect.

Water use

Total water usage can provide an indication as to how the company affects water supplies and the market price of water. In many parts of the world, access to drinking-grade water is severely limited. Additionally, high water consumption, especially in dry areas, can also affect the local eco-system, leading to second-degree problems such as ruined crops or affected wildlife. By reducing water consumption a venture can reduce their negative impact.

Energy use

The amount of energy a company uses has direct impact on energy supply and prices in the areas of operations. In addition, with today's energy production, one can assume that large parts of the energy will come from non-renewable energy sources, leading to pollution and thereby affect the environmental footprint of the venture.

Emission

Emissions of greenhouse gasses are the main cause of climate change and are governed by the Kyoto Protocol. Toxic emissions may present an immediate danger to local biodiversity as well as to humans. Both are strong indicators of a venture's environmental footprint.

Deforestation

Deforestation can damage biodiversity in local areas, and can potentially damage adjacent local industries depending on this biodiversity. Deforestation also robs the local population of resources and, in some cases, might lead to land-slides and other natural catastrophes imposing severe negative externalities.

Wildlife

Operations that affect endangered species and wildlife in general, impose negative externalities. Wildlife extinction prevention and biodiversity security are prioritized areas for the United Nations Environment Program, and we therefore deem it important for our effects measurement.

Human and labor rights aspects

Human rights

Human rights and child labor prevention are prioritized areas for the UN, which has its own Human Rights Council. Ventures should be conscious as to whether or not their business is involved with potential breaches of international guidelines and regulations. This should also be the case for a venture's suppliers. Breaches of human rights agreements incur severe negative externalities.

Health and safety

Work-related injuries, diseases and deaths incur direct costs on society as workers get incapacitated, as well as affecting the well-being of employees. A venture's track record on health and safety issue offers a good indicator of its labor rights impact.

Gender equality

In a fair and equal society, gender discrimination is not tolerated. While we readily accept that gender *quotation* on employment and salaries can be detrimental to a venture's operation (e.g. hiring less qualified personnel in order to reach quotations), inequalities of *opportunity* stems from and leads to discrimination in all layers of society. As this is a self-reinforcing phenomenon, a venture's approach to gender equality is an indicator of its effect on society.

Employee welfare

Employees of a venture are a part of society, and as such, their respective utility must be considered when considering society as a whole. Competitive compensation, fair working hours and the rights to form collective bargaining agreements are indicators of stakeholder transparency, labor rights and employee welfare.

Socio-economic aspects

Knowledge creation

Knowledge drives society forward, and most innovation gains the society in general. Employee education, on-the-job training and courses help drive innovation, increase employee satisfaction and create equal opportunities for employees in the company.

Community development

Building up local communities in areas of operation is important to help develop society and prevent communities from becoming locked into a role of cheap hand-labor with poor infrastructure. This topic is an important piece of social awareness, shown by its central position in Porter and Kramer's work on creating shared value (Porter & Kramer, 2011). Ventures involved in community development in their areas of operations impose positive externalities.

Corruption

Involvement with corruption is the same as non-compliance with the law in a way that damages society severely. Any such involvement is a strong indicator of negative social effects.

Appendix C – Questionnaire

The questionnaire is included in the table below. Q# is the question number, W is the question-weight, and alt-score is the score for each alternative. The total score is the calculated by first calculating the score for each question. This is the summed into an aspect score which is multiplied by the aspect weight. Then all the aspects are summed into a class score, which is multiplied by the class weight to provide the total score (TS). (Intentions is only one class)

$$TS = \sum W_{class} \times S_{cat} = \sum W_{class} \times \left(\sum A_{aspect} \times S_{aspect}\right) = \sum W_{class} \times \left(\sum A_{aspect} \times \left(\sum W_{question} \times S_{question}\right)\right)$$

Q#	Question	W	Alternatives	Alt.Score
Venture Information				
1	**What industry sector does your venture operate in?**		Drop-down with industries	N/A
2	**Is your venture a non-profit?**		Yes No	N/A
3	**How many employees does your venture have?**		Numerical input	N/A
4	**When was your venture established?**		Numerical input	N/A
5	**In which country is your venture's headquarter situated?**		Drop-down with countries	N/A
8	**Does your venture operate in multiple countries?**		Yes No	N/A
9	**How would you classify your venture's intentions with regards to the environment and the social impact of your venture?**		Positive intentions Negative intentions	N/A
10	**How would you describe the net impact your venture has on society?** (Impact is the sum of the actual effect your venture has on society including the environment, social aspects and local community value)		Net positive effects Net negative effects	N/A
11	**Which of the following countries (if any) does your venture operate in?**		Box-list with high-risk countries (only shows if question 8 is answered yes)	N/A

Intentions

13	**Is social values a part of your venture's mission?**	22%	Yes No	1 0
14	**Do you consider your venture to be a social venture?**	22%	Yes No	1 0
15	**Does your venture file non-mandatory corporate social responsibility reports?** (e.g. to the Global Reporting Initiative)	10%	Yes No	1 0
16	**Does your venture seek to brand itself or any of its products as socially responsible?**	2%	Yes No	1 0
17	**Does your venture seek to brand itself or any of its products as environmentally friendly?**	2%	Yes No	1 0
18	**Does your venture have a corporate level strategy regarding the environmental impact of your venture?**	10%	Yes No	1 0
19	**Does your venture have a corporate level strategy regarding human rights and EHS?**	8%	Yes No	1 0
20	**Does your venture have a corporate level strategy regarding socio-economic aspects of your venture?** (e.g. local community, knowledge creation etc)	10%	Yes No	1 0
21	**Does your venture have a corporate level strategy for compliance with the ISO-14000 standards?** (environmental management standards)	7%	Yes No	1 0
22	**Does your venture have a corporate level strategy for compliance with the ISO-26000 standards?** (social responsibility standards)	7%	Yes No	1 0

Externalities

Environment			(Category weight = 35%)	
ISO-14000 aspect			(Aspect weight = 13%)	
24	**Is your venture certified according to the ISO-14000 series standards?**	100%	Yes	1
			No	0
Waste Management aspect			(Aspect weight = 15%)	
26	**How much harmful waste does your company produce?** (byproducts of productions etc.)	30%	No waste (all of the waste is biodegradable and not of harm to the environment)	0
			Some waste (most is not hazardous)	-0,5
			We produce hazardous waste	-1
			Don't know / Not Applicable	0
27	**Does your venture have initiatives for reducing waste production?**	20%	Yes	
			No	
28	**To what degree does your venture recycle waste?**	30%	We recycle more waste than we produce (recycling is a prioritized activity)	1
			We recycle most of our waste	0,6
			We recycle some of our waste	0,3
			We do not recycle	0
29	**Does your products or packaging contain environmentally harmful materials?**	20%	No, our products and/or packaging only contain bio-degradable or recycled materials	0,5
			No	0
			Yes, our products contain some environmentally harmful materials	-0,5
			Yes, our products is by nature not environmentally friendly (non-degradable, hazardous etc.)	-1
Water Use aspect			(Aspect weight = 17%)	
31	**How much water does your venture use**? (total water usage)	40%	Our production / activities require no water use	0
			We use some water (a small part of production)	-0,5
			We use water on a large scale (water is a major part of production and activities)	-1
32	**To what degree does your venture reuse water?**	30%	We reuse almost all of the water	1
			We reuse some water	0,5
			We do not reuse water	0
			Don't know / Not Applicable	0

33	**Does your venture work towards reducing water consumption?**	30%	We have several initiatives in effect reducing our water usage	1
			We have plans for implementing water saving initiatives	0,5
			We have not investigated water saving possibilities	0
			Don't know / Not Applicable	0
Energy Use aspect			(Aspect weight = 15%)	
35	**How much energy does your venture use?**	60%	Our production / activities require almost no energy use (only office lighting etc.)	0
			We use some energy (production demands some energy usage)	-0,5
			We use a lot of energy (production is energy intensive, e.g. aluminum production)	-1
			Don't know / Not Applicable	0
36	**Does your venture have any initiatives towards reducing the energy use?**	40%	We have several initiatives in effect reducing our energy consumption	1
			We have plans for implementing energy effectiveness initiatives	0,5
			We do not consider energy saving a priority and have no initiatives	0
			Don't know / Not Applicable	0
Emissions aspect			(Aspect weight = 20%)	
38	**To what degree does your venture incur greenhouse and climate gas emissions?**	50%	We have a net-negative emission in our venture (core activity is reducing emissions, e.g. carbon storage)	1
			Our venture incurs some emissions (e.g. carbon footprints related to transport and travel)	-0,2
			Our venture incurs heavy emissions (e.g. large emissions as a direct result of production)	-1
			Don't know / Not Applicable	0
39	**To what degree does your venture incur toxic emissions?** (e.g. benzene, asbestos etc.)	50%	We have a net-negative emission in our venture (core activity is reducing emissions, e.g. carbon storage)	1
			Our venture does not emit toxic waste	0
			Our venture incurs some emissions	-0,5
			Our venture's activities incurs heavy emissions	-1
			Don't know / Not Applicable	0
Deforestation aspect			(Aspect weight = 10%)	
41	**Is your venture involved in deforestation?**	50%	No, we do not affect forests	0
			Yes, to some degree our business requires deforestation (e.g. urban development, infrastructure)	-0,5
			Yes, our company is actively involved in deforestation	-1
			Don't know / Not Applicable	0

42	**Does your venture have any initiatives for preventing deforestation internally or externally?**	50%	Yes, we actively work towards reducing deforestation	1
			No, we do not have initiatives or policies regarding deforestation	0
			Don't know / Not Applicable	0
Wildlife			(Aspect weight = 10%)	
44	**Does your venture affect wildlife and species in danger of becoming extinct?**	50%	No, we do not affect them	0
			Yes, we have some negative effects on wildlife and endangered species	-0,5
			Yes, we have severe negative effects on wildlife and/or endangered species	-1
			Don't know / Not Applicable	0
45	**Does your company have initiatives for preserving endangered species?**	50%	We work towards preserving wildlife and endangered species	1
			We have some initiatives, but it is not a priority	0,5
			No, we do not have any initiatives	0
			Don't know / Not Applicable	0
Human and Labor Rights			(Category weight = 30%)	
Human Rights aspect			(Aspect weight = 30%)	
47	**Does your venture screen business units and suppliers for child labor issues?**	50%	Yes	1
			We have no routines for this but do not believe this is a problem	0,5
			No	0
			Don't know / Not Applicable	0
48	**Does your venture screen business units and suppliers for human rights compliance?**	50%	Yes	1
			We have no routines for this but do not believe this is a problem	0,5
			No	0
			Don't know / Not Applicable	0
Health and Safety aspect			(Aspect weight = 30%)	
50	**How many work-related injuries has your venture reported in the last year?**	30%	None	0
			Few (less than 3 per 1000 employees)	-0,5
			Some (3 or more per 1000 employees)	-1
			Don't know / Not Applicable	0
51	**How many work-related diseases has your venture reported in the last year?**	30%	None	0
			Few (less than 3 per 1000 employees)	-0,5
			Some (3 or more per 1000 employees)	-1
			Don't know / Not Applicable	0

52	**How many work-related deaths has your venture experienced in the last year?**	40%	None	0
			One or more	-1
			Don't know / Not Applicable	0
Gender Equality aspect			(Aspect weight = 15%)	
54	**Is your venture involved in any women's rights activities?** (For instance women's' self-help groups)	43%	Yes	1
			No	0
			Don't know / Not Applicable	0
55	**What is the ratio of female employees in your company?**	14%	Close to 50% across all employee levels	1
			Less than 50% on management level, but close to 50% on other levels	0,5
			Less than 50% on all levels	0
			Less than 10%	-1
			Don't know / Not Applicable	0
56	**Does your venture have a gender anti-discrimination policy?**	43%	Yes	1
			No	0
			Don't know / Not Applicable	0
Employee Welfare aspect			(Aspect weight = 25%)	
58	**How would you classify the average employee's compensation in your venture?** (Compared to average in sector and education level)	38%	Significantly above market average	1
			Somewhat above market average	0,5
			At market average	0
			Below market average	-0,5
			Significantly below market average	-1
			Don't know / Not Applicable	0
59	**How would you classify your average employees' working hours?**	38%	Good (convenient and consistent working hours and no unpaid overtime)	1
			Average (somewhat inconvenient or inconsistent hours or some unpaid overtime is required)	0
			Bad (significant unpaid overtime is required, and/or working hours are very inconvenient/inconsistent)	-1
			Don't know / Not Applicable	0
60	**How many of your employees are covered by collective bargaining agreements?**	24%	Most / All	1
			Some	0
			None	-0,5
			Don't know / Not Applicable	0

Socio-Economic			(Category weight = 35%)	
Knowledge Creation aspect			(Aspect weight = 35%)	
62	**To what degree is innovation a part of your ventures' activities?**	40%	Innovation is our primary focus. (e.g. R&D counts for more than 60% of budget.)	1
			Innovation is very important to us. (e.g. R&D counts for 30-60% of budget.)	0,8
			We innovate enough to stay current in our industry (e.g. R&D counts for between 5% and 30% of budget.)	0,5
			A little. (e.g. R&D counts for less than 5% of budget.)	0,2
			Not at all. (No R&D activities.)	0
			Don't know / Not Applicable	0
63	**What is the education level of your average employee?**	30%	PhD or equivalent	1
			Master's degree or equivalent	0,8
			Bachelor's degree or equivalent	0,5
			Completed high school	0,2
			No education whatsoever is required to work here	0
			Don't know / Not Applicable	0
64	**Does your venture offer training / courses for your average employee?**	30%	Employees are encouraged to seize every opportunity to improve their knowledge, even at the cost of productivity	1
			Employees are constantly offered additional courses, and are encouraged to seek new sources of knowledge independently	0,8
			Employees are required to take additional courses in order to stay current in their field (at least one course per year per employee)	0,5
			Employees are offered some additional training, but it is not a high priority	0,2
			Employees receive basic/introduction training required for their position	0
			Don't know / Not Applicable	1
Community Development aspect			(Aspect weight = 35%)	
66	**To what degree does your venture source from local suppliers in your regions of operations?**	27%	Most of our spending is on locally-based suppliers	1
			Some of our spending is on locally-based suppliers	0,5
			None of our spending is on locally-based suppliers	0
			Don't know / Not Applicable	0
67	**To what degree does your venture hire locally when filling senior positions?**	19%	Most of our regional management positions are held by local employees	1
			Some of our regional management positions are held by local employees	0,5
			None of our regional management positions are held by local employees	0
			Don't know / Not Applicable	0

68	**Does your venture invest in local infrastructure improvements in any of your regions of operations?**	27%	Yes, we invest heavily in infrastructure in most/all of our regions of operations	1
			Yes, we occasionally make some improvements to infrastructure in some regions of operations	0,5
			No	0
			Don't know / Not Applicable	0
69	**Does your venture invest in local communities through development programs, community engagement and/or social activities?**	27%	Yes, we have extensive community development programs in most/all regions of operations	1
			Yes, we have some community development programs in some regions of operations	0,5
			No	0
			Don't know / Not Applicable	0
Corruption aspect			(Aspect weight = 30%)	
71	**What is your venture's policy and practice in regards to corruption?**	50%	Fighting corruption is a central part of our activities	1
			We work actively to combat corruption beyond what is required of us by laws in all regions of operations	0,8
			We adhere strictly to anti-corruption laws in all regions of operations, and we have clear restrictions and guidelines on all gifts and donations	0,5
			We have no policy on corruption, and/or do not operate in any regions where we consider corruption to be a problem	0
			Some of our operations require us to pay bribes	-0,6
			A significant portion of our operating budget is tied to bribes	-1
			Don't know / Not Applicable	0
72	**What is your venture's stand on anti-corruption policy from your suppliers?**	50%	We only use suppliers with anti-corruption policies	0,8
			Suppliers with anti-corruption policies are the preferred choice	0,3
			We have no policy on this	0
			We have suppliers that are required to pay bribes in order to conduct their business	-1
			Don't know / Not Applicable	0

Sample Report

Social effort and effect

Survey report

As consumers, investors and employees are increasingly concerned with the role of companies in society, managers need better tools to evaluate their social effect. Over the past decades, academics have established frameworks to describe both the causes and the mechanics of this change in the company's role. At the same time, the non-profit social sector is growing rapidly, and for-profit social entrepreneurship is becoming more common. A result of these trends is that the line between traditional ventures and social ventures is blurring. Unfortunately, economics, business and entrepreneurship literature usually deal exclusively with either the ventures in the business sector or ventures in the social sector when evaluating impact. In future discussion of social effort and social effect, we believe it will make sense to treat all ventures in the same framework. This survey is part of a research project attempting to construct such a framework.

Thank you for participating in our survey.

You are receiving this report because you participated in the survey "Social efforts and effects", which was distributed in May 2011 as part of our Master thesis at NTNU. This report is based on the data you submitted, as well as the aggregated data of the other participants. The data you have submitted is anonymized for all purposes other than this report, and this report will not be distributed.

By submitting the survey on behalf of your company, you have contributed greatly to our research. Your evaluation is part of the data set that we will use for verifying the theoretical model we have developed.

It is our hope that this research will help advance the field of social impact evaluation. Further, we believe our framework can lead to more powerful and accurate tools for scholars, officials and managers when evaluating the social effect of ventures.

Thank you again for your participation,

Sincerely,

Gøran Berntsen and Bård Gamnes
Graduate students, NTNU

The Researchers

Gøran Berntsen is currently an MSc. graduate student at the NTNU School of Entrepreneurship, with a technical background from the fields of nano materials and energy technology. Besides being a student, he is the co-founder and CEO of a scientific board-game company.

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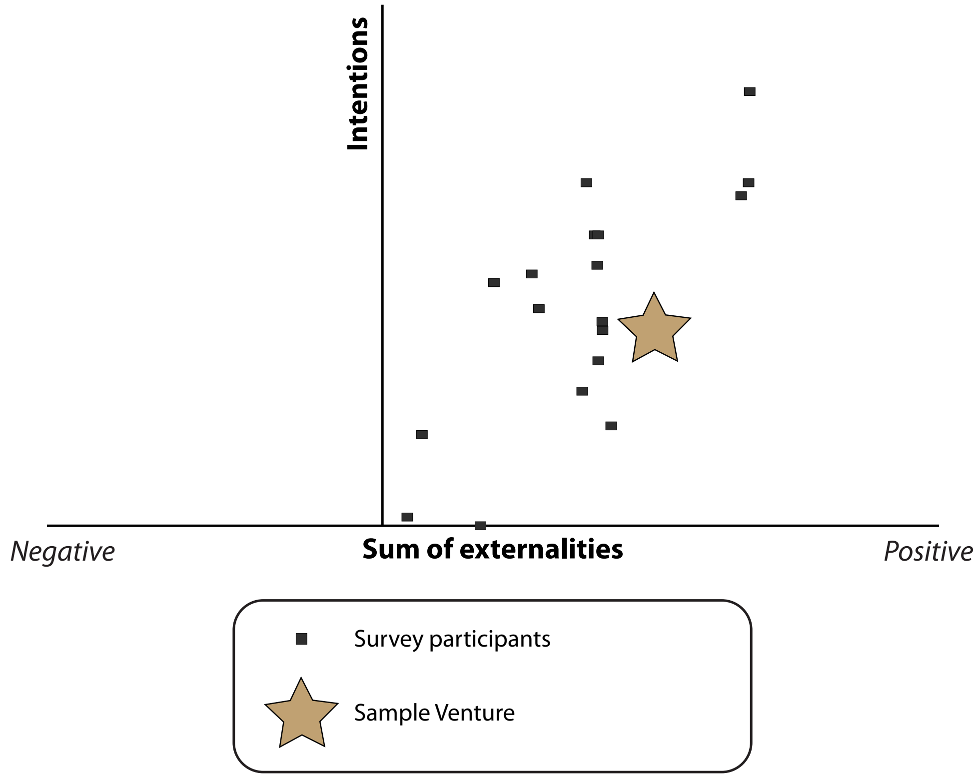
subject: Sample Venture

respondent: cio@sampleventure.com
response date: june 1, 2011

Total score

Companies are scored on two dimensions: their intentions which reflect their social efforts, and their sum of externalities which reflects their social effects. Social intentions are indicated by the company's purpose, mission, values and branding. This dimension results in a score from 0 to 100. A score of 0 implies no social efforts and a score of 100 implies pure focus on social impact.

A company's "sum of externalities", means the total impact on third parties from the company's activities. Companies score from -100 to 100 on this dimension, where -100 means the company incurs severe costs for society, and 100 means the company creates significant value for society. In order to score a company on this dimension, three classes of social effect indicators are evaluated: environmental impact, human and labor rights impact and socio-economic impact.

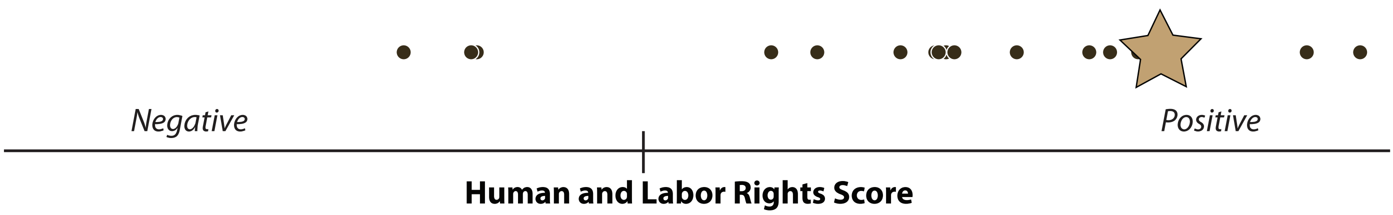


Environmental impact indicators

Any environmental footprint imposed by a company is a negative externality, while activities that preserve the environment lead to positive externalities. In the environmental class of indicators, we measure companies on waste management, water use, energy use, toxic emissions and greenhouse gas emissions, deforestation and wildlife impact and compliance with the international standar series for environment protection, ISO 14000. Environmental factors count for 35% of the total sum of externalities.

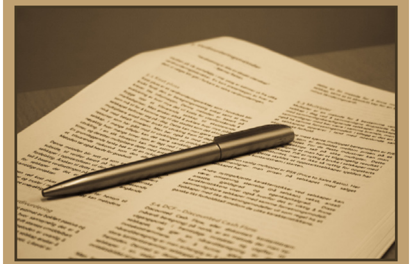
Human and labor rights indicators

A venture's impact on society can be measured by how the venture relates to people. Breach of human rights or labor rights agreements are indicators of negative externalities, while work to promote these rights are indicators of positive externalities. In this class, we measure companies on human rights policy (including child labor policy), health and safety standards, gender equality and employee welfare.



Socio-economic indicators

The socio-economic class of indicators encompass the impact a venture have on society traditionally associated with social costs and benefits. Under this class lies knowledge creation (specifically innovation and education), community development and corruption.



Scoring low in one class and high in another?

Because of the nature of some industries and businesses, many ventures will score low in one class, but higher in others. One example can be companies in the oil and gas sector, which are likely to score low in environment, regardless of how good their intentions and efforts are. However, since they are knowledge intensive and prone to more innovation, they will score higher in the Socio-Economic class. For your venture, you should therefore look at your total score, then on each class, and see where you score high, and where you score lower. If you feel that this matches your impression of reality, then you probably have been able to realize your intentions to real effect. If not, then you should consider investigating the possible factors influencing your score to see where your efforts should be placed.

How should you interpret your results?

The social intentions axis measures to what degree your company is a social venture - that is, to what degree you operate with a social mission. Most ventures are expected to lie on the lower half of this axis, unless they are social ventures.

The sum of externalities axis shows your company's social impact. First of all, keep in mind that a score on the positive side on the externalities dimension is always a good thing" This means the activities of your company in sum makes society better off. The further to the right you score, the better your activites are for society as a whole - but not necessarily for your shareholders.

As you can see in the first graph, showing the scatter plot of intentions and externalities, there is almost a linear correlation between the two. This is intuitively realistic, as most of the respondents represent established, stable ventures, where status-quo between intentions and effects has been achieved to some degree.

As a manager in your company, it can be useful to note your position relative to an imagined linear graph. If your venture is on the left side of the graph, it can indicate that you are not able to realize your intentions into actual effect. If you are positioned on the right side it means that your venture are "doing more good" than your intentions indicate.

How did we arrive at the total score?

The questionnaire you have answered, asked questions about indicators within either intentions, or each externality class (environment, human and labor rights, socio-economic). For the sum of externalities, each question-alternative gave us a score from -1 to 1 depending on the gravity of the alternative's impact on society. For intentions each alternative was rated from 0 to 1. Then the questions were weighted depending on its significance to the total output, to provide us with a total score.

Indicator sources

The indicators used for social effect evaluation are based on the growing body of social investment assessment mechanisms that is emerging in the world of finance. Specifically, criteria from the following sources have been used:

The Global Reporting Initiative, collecting more than 1400 sustainability reports annually from some of the world's largest companies offers a set of official guidelines for sustainability reporting.

The Global 100 Index is a ranking of the top 100 sustainable and financially performing companies, presented annually at the World Economic Forum.

The FTSE4Good Index Series is a corporate responsibility compliance index created by the Financial Times and the London Stock Exchange.

The Dow Jones Sustainability Index, created by the Dow Jones Indexes and SAM, provides benchmarks to asset managers managing sustainability portfolios.

If you have any questions regarding this report, do not hesitate to contact us at goranb@stud.ntnu.no or gamnes@stud.ntnu.no

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