

Chapter 16-18

Socialization of Capitalism and the Fourth Sector

- What is the socialization of capitalism?
- Traditional sectors in the economy:
 - o Private
 - o Social
 - o Public
 - Public-private partnership (PPP)
- Figure 16.1: Sectors of the Economy
 - o Private sector
 - Social initiatives or Trends
 - o Social sector
 - Commercialization of Activities
 - Fourth Sector examples
 - o Social entrepreneurship
 - o Microfinance
 - o B-corporations
 - o Fair trade
 - o Public Sector
 - Commercialization

Sustainability Strategy

- Sustainability strategy: A plan that view economic, ethical, social, and environmental responsibilities more intensively and integrates corporate social responsibility

Main characteristics of Sustainability strategies

- Awareness
- Stakeholder Focus
- Management/Staff Involvement
- Board Involvement
- Ethics Program
- CSR Program
- Reporting

Strategic Management

- Strategic Management
 - o The process in which a corporation creates the organizational systems and processes needed to implement the strategy, and then devise mechanisms for evaluating the performance of their objectives

Socialization of Capitalism and New Corporate Structures

- Types of Social Enterprise:
 - o Type: Non-profit organization
 - o Characteristic: Have charitable status. Organized only for charitable purposes
- Types: Cooperative
 - o Characteristics: Member controlled and operates for their social benefit. If profits occur, returned to ...
- Types: For-profit organization
 - o Characteristics: Owned by non-profit organization and can operate as subsidiary earning profits. Owned by investors. Can involve private returns to owners as well as committing a portion of profits to social purposes

For-Benefit and B-Corporations

- Operates to make profits but also has a strong commitment to addressing social and environmental problems
- B-corporation: variation of a for-benefit but a certification process is required to be eligible to receive this designation
- Accountability and transparency are requirements

Social Enterprise

- Social enterprise and non-profit organizations must consider their sustainability in terms of how well they accomplish their social aims or objectives and how they are able to maintain themselves financially
- The assessment of the social impact depends on the mission of the organization

Figure 16.2 Sustainability Matrix

Socialization of Capitalism Concepts and Expressions

- Figure 16.3 Model of Social Capital and Business Value Creation
 - o What is the reputation of the social organization
 - o What kinds of initiatives are they involved in?
 - o What are the stakeholders?

Sustainable Capitalism

- Embracing sustainable capitalism will result in benefits for corporations:
 - o 1) Increase profits, enhance its brand, and improve its competitive positioning
 - o 2) Money will be saved by reducing waste and increasing energy efficiency
 - o 3) Environmental, social and governance metrics enable corporations to achieve higher compliance standards and better manage risk
 - o 4) Financial benefits such as lower cost of debt and lower capital constraints will result

Corporate Social Integration

- How influence flows between the organization and society in general

- CSR should identify points of intersection business and society then create a corporate social agenda, and integrate inside-out and outside-in linkages
 - o Inside-out linkages
 - o Outside-in linkages

Socialization of Capitalism and Business School Programs

- Business schools are responding to the increasing awareness of the ethics of business and corporate social responsibilities
- The response takes various forms and business education programs are feeling the impact

Chapter Summary

- * The blurring of the boundaries among the private, social and public sectors of the economy has created another sector
- The socialization of capitalism has been facilitated by the creation of new organizational forms social enterprises, for-benefit

Questions

- Why has the Fourth Sector of the economy emerged?
 - o Government is unable to solve all the problems
 - o Therefore, their opening the idea of new ways of doing this
 - o There is a trend towards more emphasis on social purpose by corporations. This has been because of pressures from society and later reflected in pressures from consumers, owners, and financial institutions
- What is the relationship between strategic management and sustainability strategy?
 - o In the past, strategic management focused on economic or financial issues
 - o Sustainability strategy has resulted in ethical, social and environmental issues being added
 - o Thus, sustainability strategic has become a part of the general strategic management process
- What is the difference between social impact and socially responsible investing (also discussed in Chapter 11)?
 - o Social impact:
 - Uses new forms e.g. microfinance, green bonds
 - Social return expected
 - Bridge between private, non-profit and public sectors
 - Measurement of results difficult
 - Financial return may be expected, but not required.
 - o Socially Responsible Investing
 - Usually done by existing a corporation
 - Methods of investment selection: negative or positive screens, but most recently “best in industry” approach is used
 - Social return not measured or expected