

Bertelsmann Stiftung (ed.)

Responsible Entrepreneurship

Business and Society: Bridging the Gap



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Reinhard Mohn Prize 2016

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Foreword

Most people, if asked how they envision the world of the future, would be likely to respond with profound uncertainty. This is clearly in part due to the crises we face today, but is also a function of the rapid pace and complex nature of the technological, economic and societal changes currently underway, which together are creating a world increasingly marked by transition, flexibility and mobility. This leaves many feeling overwhelmed and unable to keep pace.

Many people respond to these upheavals with a sense of anxiety about the future. However, these emotional responses often cloud both the creativity needed to develop innovative solutions and the clarity of thought required to identify new opportunities. How might we create a future marked by innovation and social inclusion, thereby fostering employment and well-being in a globalized world? The belief advanced by my husband, Reinhard Mohn, that “we need to get more people thinking,” holds more true than ever. Getting more people to think requires a culture of responsibility if we are to unleash motivation and creativity. Above all, we need more reasoned, dispassionate dialogue between stakeholders that brings everyone on board to target the same goal.

Facing the challenges ahead will require the combined strength of all sectors of society. Actors in government, the private sector and civil society are called upon to work together in demonstrating their responsibility to society by showing the way forward. Together, we must aim to bring as many people as possible on board by helping them assume greater responsibility for determining the course of their own lives.

Targeting social innovation in this way requires sharing the same ethic, seeking to preserve an open, democratic and fair society underpinned by the values of freedom, solidarity and compassion. Responsible entrepreneurship can and should have a positive impact on fostering advances in society. Aiming to help drive the debate forward, this year’s Reinhard Mohn Prize stands as a reminder of the fact that even in a context of global competition among entrepreneurs and businesses, Reinhard Mohn’s faith in the strength of compassion (“Menschlichkeit gewinnt!”) serves us all as a leitmotif.

Liz Mohn

Vice-Chair of the Executive Board, Bertelsmann Stiftung

Responsible Entrepreneurship in Our Time

Birgit Riess

Our society finds itself confronted with a broader array of challenges than ever before. Globalization may have brought prosperity, but it has also brought new problems. Digitization already heavily influences the way we make money, consume and our very way of life. However, it is simply too soon to predict the extent to which these changes will have a negative or positive impact on our society. Similarly, it is far from certain how we will deal with the consequences of demographic changes that will pervade every aspect of society. We know that the effects of demographic change will fundamentally alter the labor market, but how we manage migration and integration has cast a spotlight on unresolved problems.

These challenges elude easy solutions. Highly complex by nature, they are interdependent. Appropriate and effective responses to this complexity and efforts to introduce future-oriented change often fail at the national level, finding more success in an international context. Alongside these developments, there is a growing awareness that securing the sustainability of our economic, social and environmental systems will require contributions from all societal actors – in other words, joint efforts from politics, business and civil society. While political action is essential here, there are additional, meaningful ways in which we can support it.

The Reinhard Mohn Prize 2016 takes as its subject the world of private business and explores the question of how companies can make a meaningful contribution to sustainable societal development – by demonstrating responsible management and proactively contributing to their social environment. This year's Reinhard Mohn Prize draws on its namesake's conviction that "companies have a contribution to make to society" and that entrepreneurs "do not have the right to stand completely apart from society" (Mohn 2004: 141).

Many companies commit to contributing to the societies in which they operate. The Institute for Economic Research estimates that the volume of domestic entrepreneurial engagement represents a financial equivalent of at least €11 billion a year (Hüther et al. 2012). But this raises two questions: What are the standards of responsible activity for companies under conditions of shifting global megatrends? And how effective is social engagement, anyway, in terms of both scale and reach? Underpinning these considerations is the understanding that responsibility does not equal charity. Companies have a decisive role to play in strengthening social fabrics and innovation in society. Companies influence the lives and environment of

people in our society in diverse ways with their products and services, as well as their manufacturing and supply methods. They therefore bear responsibility – not just economically – but also in the social and environmental impact of their activity.

Entrepreneurial engagement also bears an enormous social potential: the ability to solve social problems with entrepreneurial means. This is rooted in the fundamental principles of enterprise: innovation, risk-taking and resource allocation. And these principles can form an effective complement to conventional state or civil society mechanisms targeting solutions – ideally in joint initiatives. Clearly, this kind of activity also lies in the interests of companies themselves. This is because companies and society exist in complex interrelation with each other – and in a state of mutual dependence. This publication therefore examines the role of companies as social innovators in light of the dramatic shift in expectations placed upon them.

Shifting expectations...

In recent decades, the debate around the social responsibility of companies has accelerated at a rate many scarcely thought possible – including those who identified a fundamental paradigm shift underway, going so far as to postulate the “reinvention” of capitalism (Porter and Kramer 2011).

But what has actually changed, and why? A cursory glance at the development of the “corporate responsibility” movement reveals that what we expect in terms of company activity in a globalized world has changed fundamentally, underscoring the need to develop new approaches that make corporate responsibility more effective.

In the 1970s and 1980s, the shareholder value approach dominated management literature and practice. It held that a company’s sole objective was to maximize profits for its shareholders. This perspective failed to acknowledge that companies move within a dynamic network of relationships, and that other stakeholder groups – employees, customers, politicians and the general public – are also important.

The growing influence of multinational corporations and the globalization of value creation chains, in particular, precipitated closer scrutiny of firms’ economic, social and environmental responsibilities. In addition, the breakneck spread of information and communication technologies allowed for greater transparency, meaning that company scandals and misconduct quickly came to the attention of a worldwide public. Meanwhile, an increasingly vigilant civil society developed more effective campaigning skills. The economic crisis that began in 2007 served to further shake remaining confidence in business.

... promote responsible corporate behavior

These developments were and are the drivers for companies’ increasing acknowledgment of their social responsibility. Terms such as “corporate social responsibility” (CSR), “corporate responsibility”, “sustainability” and “shared” value are now permanently affixed to corporate

agendas. And the quality of the concepts explored under these labels has changed greatly over the course of time. While corporate responsibility previously found expression in charitable and sponsoring activities, today, the prevailing conviction holds that the core business, including the supply chain, must be aligned with economic, social and environmental factors in mind. This minimizes risks and maximizes opportunities for new business models.

Another important driver was the increasing awareness among policymakers that corporate social responsibility had to be both supported and mandated. At the supranational level, too, a generally shared understanding of the foundations of corporate social responsibility emerged through the ILO's core labor standard, the OECD's Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights as well as the universal principles of the UN Global Compact. These international agreements form the reference framework for a multiplicity of management guidelines as well as rating and reporting systems.

The European Commission also plays an important part here, with its conviction that socially responsible corporate behavior can make a fundamental contribution to sustainable and integrative businesses in Europe. With the 2001 publication of the green paper "European Framework for Corporate Social Responsibility" (European Commission 2001), the Commission defined for the first time what it understood this social responsibility to be – "a concept whereby companies integrate social and environmental concerns in their business operations (...) on a voluntary basis" (ibid.: 8) – and how the necessary framework conditions might be created.

Demonstrably dissatisfied with what had been achieved to date, the Commission shifted its policy strategy from encouragement to obligation. In the new strategy presented in 2011, companies were generally held responsible for their impact – both negative and positive – on society (European Commission 2011). To lend weight to its demand for responsible action, in 2013, the European Commission ordered large companies to provide greater transparency in social and environmental matters. The extent to which a binding reporting requirement, such as the one that will come into effect in Germany in 2017, is able to not just sanction undesirable actions, but also open up potential for CSR remains to be seen.

Companies and their contribution to society

The urgent need for businesses to actively assist with the major challenges of our time was illustrated by two major events of recent years: the signing of the climate agreement in Paris and the Sustainable Development Goals agreed by the General Assembly of the United Nations in New York. Both agreements foresee an active role for companies and business in the implementation of their respective catalogs of goals. The largest and most important network in the world for responsible management, the UN Global Compact, emphatically calls for companies to mobilize in the effort to reach the 17 sustainability goals. And the final document of the UN Conference on Development Finance in Addis Ababa in 2015 placed a particular emphasis on the creativity and innovation of business in the search for solutions that implement sustainability and development goals.

There is a growing recognition of the significance of companies as actors or even partners in efforts to address the pressing problems of society. And the self-applied definition of companies acting as “corporate citizens,” to the extent of their abilities, ties in with their understanding of themselves as responsible companies that have an obligation to society and are unable to act in isolation from it. The engagement of companies in social issues can also be understood as an investment in the framework conditions for their own entrepreneurial success. With high rates of youth unemployment in Europe and low equality of social opportunity, companies are no longer willing or able to stand aside in passive observation. Many company initiatives can cultivate social innovations and make a lasting contribution to social progress. In its international research, the Reinhard Mohn Prize 2016 searched for proof of this contribution.

About this book

This book represents the findings from worldwide research into entrepreneurial solutions for societal problems. The methodology used to categorize the exemplary initiatives identified is outlined by Andreas Heimer, Claudia Münch and Lea Eggers. Embedded in contributions by renowned academics, these examples illustrate a new paradigm for effective corporate engagement: “thinking big” about social impact from the start, including partners to ensure wide circulation and, finally, anchoring this approach in a way that guarantees sustainable success.

The first section of this volume focuses on the role of the company as a sociopolitical actor. Here, Timo Meynhardt highlights the contribution of organizations and companies to public value. Jürgen Howaldt considers the role that companies play in social innovation. Finally, Felix Oldenburg shows how companies and social concerns can grow in concert.

In Section 2, Christiana Weber describes the requirements for scaling entrepreneurial initiatives. Drawing on the initiatives researched, Julia Scheerer and Jakob Kunzlmann subsequently present reference models that might serve as blueprints for effective corporate engagement.

Section 3 examines what form the conditions for corporate engagement might take. In his contribution, Josef Wieland and Isabel Jandaisek address the normative demands made of companies today. And Gregory Jackson investigates which forms of capitalism tend to favor or hinder responsible corporate behavior.

Finally, Birgit Riess, Julia Scheerer and Jakob Kunzlmann extrapolate recommendations for promoting and embodying responsible entrepreneurship in the political and entrepreneurial spheres.

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