Prosocial Ventures: Meaning Well and Thinking Good Thoughts Are Nice, But Not Enough

Ted Baker
Rutgers University
University of Cape Town

E. Erin Powell
North Carolina State University

Abstract

Recent research on creating and leading prosocial ventures suggests that they are more likely to be successful if founders: 1. Do not count on the fact that people joining the organization are well-meaning as a reason to ignore or downplay differences among them, 2. Take action early to surface and deal with latent sources of destructive conflict, and 3. Create early opportunities for members to experience small wins through joint projects that are small-scope and low risk.

Prosocial ventures, by which we mean those organized at least in part to address social challenges (whether "grand" or local) or otherwise create social good, are an increasingly popular topic of management research.[1] They range from "charitable" organizations fully dependent on individual or institutional philanthropy, to so-called "triple bottom line" ventures that explicitly seek to create social, environmental and financial value. They include ventures organized as "cross-sector partnerships," comprising joint efforts among business, community, government and other organizations to address issues that none of them seem capable of dealing with by themselves. Equally important, research has demonstrated that most "traditional" entrepreneurs are not motivated primarily by "profit maximization" and many hold dear and prioritize a variety of social as well as financial goals.[2] We include *all* of these within the domain of "prosocial entrepreneurship," making this a much broader construct than traditional notions of "social entrepreneurship."

Among the entrepreneurs and leaders we have studied, many seem to think that managing a venture comprised of people committed to social good will be relatively smooth sailing. Partly as a result, they sometimes spend too much of their time dealing with other issues – such as their venture's fraught financial status – and too little time figuring out how to create the sorts of value that might support venture sustainability. They pretty much assume that organizational issues – for example, who will take what roles or how decisions will be made and by whom – will take care of themselves because of the shared desire to do good. For example, in our study of ventures attempting to revitalize communities dealing with industrial decline, Jack, with several decades of successful corporate leadership experience, repeatedly attempted to move one venture toward a franchising model, a strategy he considered an obvious choice to generate quick revenue. Assuming that well-meaning others would see things his way, he was dismissive about conflicts with co-founders who wanted slower and more organic expansion. As one co-founder noted at the time, "I am tired of this s**t; Jack and Ginnie think they should be in charge … they want to do just what they have always done." The venture disbanded before it was able to accomplish any of its goals.[3]

This imbalance, prioritizing other concerns over attending to issues about organizing to create sustained value, makes common sense. After all, a shared goal to do good and help others should overcome many of the organizational and incentive problems we often see when people are attached to an organization only for their own financial gain. In our research, however, we've repeatedly seen this common sense violated. Prosocial organizations face their own challenges and fragilities. Here, we describe two such challenges and ways their leaders can deal with them.

Conflicting Material Interests

We conducted a multi-year study of eight cross-sector partnerships that were organized as new ventures in South Africa.[4] These prosocial organizations brought together partners – from government, community and social sectors – who shared commitments to engage with issues rooted in the country's history of racial inequality and conflict. Examples of these issues included, for example, increasing presence of informal traders in a Central Business District, provision of rural water and sanitation, closing down and cleaning up old mines, land allocation for people dispossessed of their property during Apartheid, protecting fragile biodiversity during economic development and supporting children orphaned by HIV/AIDS.

Much of the prior research on cross-sector partnerships has usefully explored how to overcome differences in how partners frame the issues their ventures are trying to address. Researchers have focused on the different and sometimes conflicting patterns of *thinking* about issues (labeled "cognitive logics") that characterize the organizations from which the partners are drawn.[5] For example, while the shopkeeper's association saw the presence of informal traders as an encroachment on property that called for stricter law enforcement, the traders experienced their activities as an expression of newfound freedoms, and the municipality saw a planning and economic growth issue. Viewed from this angle, the leadership challenge was to bring people together and help them construct a common perspective for understanding the multiple dimensions of the issues they were trying to address. Such an understanding could then form the basis for jointly figuring out how to make things work for everyone.

Unfortunately, this approach simply *did not work* in the ventures we studied. About half of the venture leaders we studied approached their tasks by assuming that any conflict between members was simply rooted in different ways of thinking. They defined their primary leadership challenges as talking through issues to get everyone on the same page. In none of these cases were the members drawn from different sectors able to work together productively. The partnerships either ceased their collective efforts or became what were known colloquially as "talk shops" – their efforts stalled in seemingly endless conversation that never led to action.

Successful leaders, in contrast, dealt with the underlying challenges not just as differences in ways of thinking about things, but instead as *conflicting material interests*. Material interests conflict when for one person or group to gain something of social or economic value, another person or group has to lose something. For example, when a mine around which a community has been built over many years closes down, the mining company has a material interest in making the closure as simple and inexpensive as possible, while the community has interests in environmental remediation, planning for the reuse of the property and avoiding extreme unemployment. All of the partnerships in our study that were able to continue working collectively toward their goals succeeded in bringing such material conflicts front and center, rather than acting as if the problem was just to reconcile "different ways of thinking."

Successful ventures used three interlinked tactics to do this. "*Boundary Management*" efforts worked to ensure that all interests were represented within the boundaries of the organization, and included actively recruiting vocal critics and missing voices to be part of the discussions. This was not a 'keep your friends close and your enemies closer' approach, but rather a sincere attempt to open up and bring all parties into the organizing effort. For example, when government officials who had previously complained of being too busy and resource-constrained to entertain meetings with an organization trying to help them support (via program development) orphaned and vulnerable children eventually relented, progress ensued. "*Focal Activities*" brought efforts quickly out of the conference room and into the field, as leaders created small scope and low-risk projects that gave members the opportunity to bring their differing interests into play while doing something beyond talking to create value. For example, in the case of the informal traders operating in one city's central business district, partners from the municipality, business community, a local university and NGOs representing the informal traders, "Worked jointly to delineate specific, relatively attractive places where the informal traders would be encouraged to congregate, free of harassment and attempts to move them away." Finally, "*Partner Posture*" included efforts to celebrate even small accomplishments coming from joint activities. The Central Business District partnership's website highlighted each positive step and the group organized an annual public celebration. In each such case, we observed the emergence of respect, empathy and increasing levels of interpersonal trust. Conflicting material interests were intentionally kept central, but the give and take of initial small projects created a foundation for taking on larger joint efforts.

Conflicting Identities

Recent work in entrepreneurship has demonstrated the fundamental role of identity – "who I am and who I want to be" – in shaping the behavior of individual entrepreneurs and the strategies their ventures pursue.[6,7,8] We conducted a recent multi-year study of nine new multi-founder ventures organized to help revitalize municipalities that had undergone socio-economic decline as a result of industrial change in the southeastern U.S. This allowed us to examine *collective identity* processes underlying "who *we* are and who *we* want to be."[9] We discovered that seemingly trivial differences in founders' social identities not only shaped how the ventures were organized and the services they tried to offer, but also largely determined whether the founders remained engaged in these efforts or disbanded.

Social identities relate to self-categorization as members of social groups or categories.[10] Well-known examples include racial, gender and religious identities. But we all have many social identities. For example, one might self-categorize as an "environmentalist" or as a "Manchester United Fan," or as a "progressive." In-groups form around collective identity "prototypes" that describe how we understand what it means to be "one of us" and not "one of them." Social identity processes are fundamental to the creation of such "in-groups" and "out-groups," as well as resulting patterns of derogation and bad behavior toward those who are seen as "other" (in some contemporary usage, they are "othered") because they are not part of the in-group. It is a basic pattern of human social behavior for people to over-estimate both the extent to which the people in their in-group are similar to one another and also the extent to which people in the out-group are different from those in the in-group. For better or for worse, it is also a fundamental human social behavior to form in-groups and out-groups effortlessly, on the fly, and around even the most trivial initial differences. Between-group discrimination occurs even when the differences between groups are arbitrarily assigned by researchers in a lab.[11]

The founders we studied came together as "community helpers." Early meetings were characterized by congeniality and optimistic visions of what they would accomplish together while revitalizing the fading heritage of the textile industry. The problem? The seemingly shared identity as "community helpers" papered over an important difference, which became the basis for the formation of competing in-groups. The difference? Some of the founders saw themselves as *connected to* the community they wanted to help and they wanted to work *with* community members to develop and implement solutions together. Other founders saw themselves as *separate from* the community and they wanted to design and deliver solutions *to* the community. Being a good "community helper" – and therefore a member of the in-group – meant different things to different founders.

This difference in what it meant to be a community helper was enough to create issues in every venture. Once the ventures moved beyond early organizing meetings and an initial sense of deference toward one another's concerns, contestation began, encompassing issues of who would be recruited into the organization, what their roles would be, who would make what decisions, who would be invited to meetings, how they would position themselves publicly and how money would be controlled and spent.[12] In some cases, such as the example of disagreement over franchising described above, contestation among the founders continued until they disengaged and the ventures disbanded. We observed examples of aggressive anti-social behavior among such founders, along with vehement accusations of malfeasance and competing lawsuits.

What is the leadership solution? First, it is necessary to take action early on. By the time the initial honeymoon of good feeling and mutual deference has passed, competing in-groups become hardened and the primary "fix" requires driving people out of the organization. Second, leaders need to recognize that the underlying social identities are malleable, especially early on. Team members can jointly shape what it means to be part of the in-group, constructing a collective identity prototype around which all or most of them can gather. Third, we found, much like in the study of cross-sector partnerships, that creating opportunities for "small wins," – in this case helping someone in the community in some visible way – strengthens relationship within the venture and can sometimes help reinforce shared, rather than competing prototypes for what it means to be "one of us."

Conclusion

Managing prosocial ventures is more difficult than it seems. The two studies we have discussed describe two very different challenges, one deeply rooted in conflicting material interests and the second rooted in what might otherwise appear to be trivial differences in the social identities that motivate founders to come together in the first place. When leaders handle either type of challenge incorrectly, their ventures are more likely to falter or even fail. The lessons learned from both studies suggest: 1. It is a mistake to assume that because a prosocial venture brings together well-meaning people wanting to do good, organizing and leading the venture will therefore be smooth sailing; 2. It is important to take action early – in the formative days and weeks of venture creation – to deal with latent sources of destructive conflict, beyond just trying to talk it through; 3. Creating, as quickly as possible, small scope and low-risk opportunities for small wins and then celebrating the wins, seems to be a broadly effective tactic for keeping people engaged in collective prosocial value creation efforts.

Because the contexts of these two studies – cross-sector partnerships in post-Apartheid South Africa and municipal revitalization efforts in the U.S. – are very different, this suggests that our common findings about "what works" may hold across varied contexts. Given increasing evidence that many or most "traditional" entrepreneurs embrace social goals rooted in their identities, the practical implications of our work are quite broad.[13] In addition, the sorts of issues with which the ventures we studied tried to grapple – those arising from issues with inequality and those arising from the local effects of large-scale industrial change – are, unfortunately, likely to be increasingly commonplace.[14]

Authors

Ted Baker holds the George F. Farris Chair in Entrepreneurship and is Director of the Rutgers Advanced Institute for the Study of Entrepreneurship and Development. He is also Honorary Professor and Senior Fellow of the Bertha Centre for Social Innovation & Entrepreneurship at the University of Cape Town. Ted spent much of the first half of his adult life building technology-rich entrepreneurial ventures. His research explores entrepreneurship under resource constraints and adversity,

focusing on sources and patterns of resourceful behavior. His current work on Founder Identity Theory extends this by drawing on the social psychology of identity to explore the processes through which entrepreneurship sometimes allows people to pursue their goals and become who they want to be despite common problems of resource constraint and adversity. His work has been published in leading outlets, such as Administrative Science Quarterly, Academy of Management Journal, Journal of Business Venturing and Entrepreneurship Theory & Practice.
email: tbaker@rutgers.edu

E. Erin Powell is an assistant professor in the Department of Management, Innovation & Entrepreneurship at North Carolina State University. She also co-supervises PhD students studying entrepreneurship at the University of Cape Town in South Africa. Prior to recently rejoining N.C. State, where she completed her PhD, she was a visiting assistant professor at Brown University and an assistant professor at Clemson University. She has taught a variety of entrepreneurship courses to undergraduate, MBA and PhD students as well as to local entrepreneurs in rural communities. Erin's research focuses on founder identity, heterogeneity of motivations among entrepreneurs and entrepreneurial resourcefulness. Her work has been published in leading academic journals including Academy of Management Journal, Journal of Business Venturing, Journal of Management Studies and Small Business Economics. She serves on the editorial board for Journal of Business Venturing.
email: eepowel2@ncsu.edu

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