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A corporate social entrepreneurship approach to market-based poverty reduction

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Corporate social entrepreneurship approach toward market-based poverty reduction

Abstract

This paper aims to conceptualize a market-based approach toward poverty reduction from a corporate social entrepreneurship (CSE) perspective. Specifically, we explain market-based initiatives at the base of the economic pyramid and relate it to social entrepreneurship literature. We refer to the entrepreneurial activities of multinational corporations that create social value as CSE. We then conceptualize CSE based on corporate entrepreneurship and social entrepreneurship domains and shed light on how corporations can implement CSE. Finally, by reviewing relevant literature, we propose some of the factors that can stimulate CSE in organizations and propose some of the benefits that companies can gain by implementing CSE.

Keywords: market-based approach towards poverty, corporate social entrepreneurship, corporate social responsibility, social entrepreneurship, base of the pyramid, poverty,

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1 Introduction

Traditionally, non-profit organizations, including nongovernmental organizations (NGOs) and civil society organizations, have been considered responsible for addressing social problems such as poverty (Wei-Skillern et al., 2007). Though their attempts have been successful, the intensity and complexity of social problems mean that they require a more comprehensive solution that mobilizes the resources of more agents. This has led to rising expectations that corporations should take social responsibility as seriously as they pursue economic objectives (Goodpaster, 1991, Carroll, 1979, Stormer, 2003). Accordingly, the development agenda is increasingly focusing on depicting corporations as part of the approach to addressing social problems such as poverty (see e.g.Prieto-Carrón et al., 2006). For instance, the United Nations has set Millennium Development Goals which aim at reducing extreme poverty across the world by half, between 1990 and 2015 (United Nations, 2005).

Even though small and medium-sized enterprises can also play a role in poverty alleviation, the emphasis in the policy deliberations has usually been on multinational corporations (MNCs). This is because of the globalization-induced rise of foreign direct investments and the dominance of MNC revenues over domestic GDPs in many of the emerging countries in which they operate (Jamali and Keshishian, 2009). There has also been a shift of power from governments to MNCs (Millar et al., 2004), which supports arguments that MNCs should take a more prominent role in poverty reduction.

One of the approaches that has been welcomed by both social entities and multinational corporations is a market-based approach towards poverty reduction (Hammond et al., 2007). In this approach, companies try to solve social problems by developing and selling products and services for the lower income population (Prahalad, 2009).

In parallel with this perspective, a new field of social entrepreneurship has emerged that can contribute to a better understanding of the market-based approach. Social entrepreneurship scholars view social problems as potential opportunities that can be seized through the development of products and services and by creating social value (Zahra et al., 2008).

This research attempts to shed light on the market-based initiatives of MNCs from a social entrepreneurship perspective. We refer to these initiatives as corporate social entrepreneurship (CSE) and attempt to propose how MNCs can stimulate engagement in CSE in their organization and what benefits they can gain by implementation of CSE.

This research has several contributions. First, we conceptualize market-based initiatives of MNCs from an entrepreneurship perspective. We also offer the dimensions of CSE based on corporate entrepreneurship and social entrepreneurship literature. Second, building on entrepreneurship and corporate social responsibility (CSR) literature, we propose some factors that enable corporations to engage in CSE and suggest some benefits that they can acquire.

This research also has some implications for managers of MNCs. First, learning about CSE helps managers to have a better understanding of the implementation of market-based poverty reduction. Second, managers can learn about organizational factors that should be taken into account when implementing CSE. Finally, this research sheds light on the benefits that companies can gain by incorporating CSE in their agenda

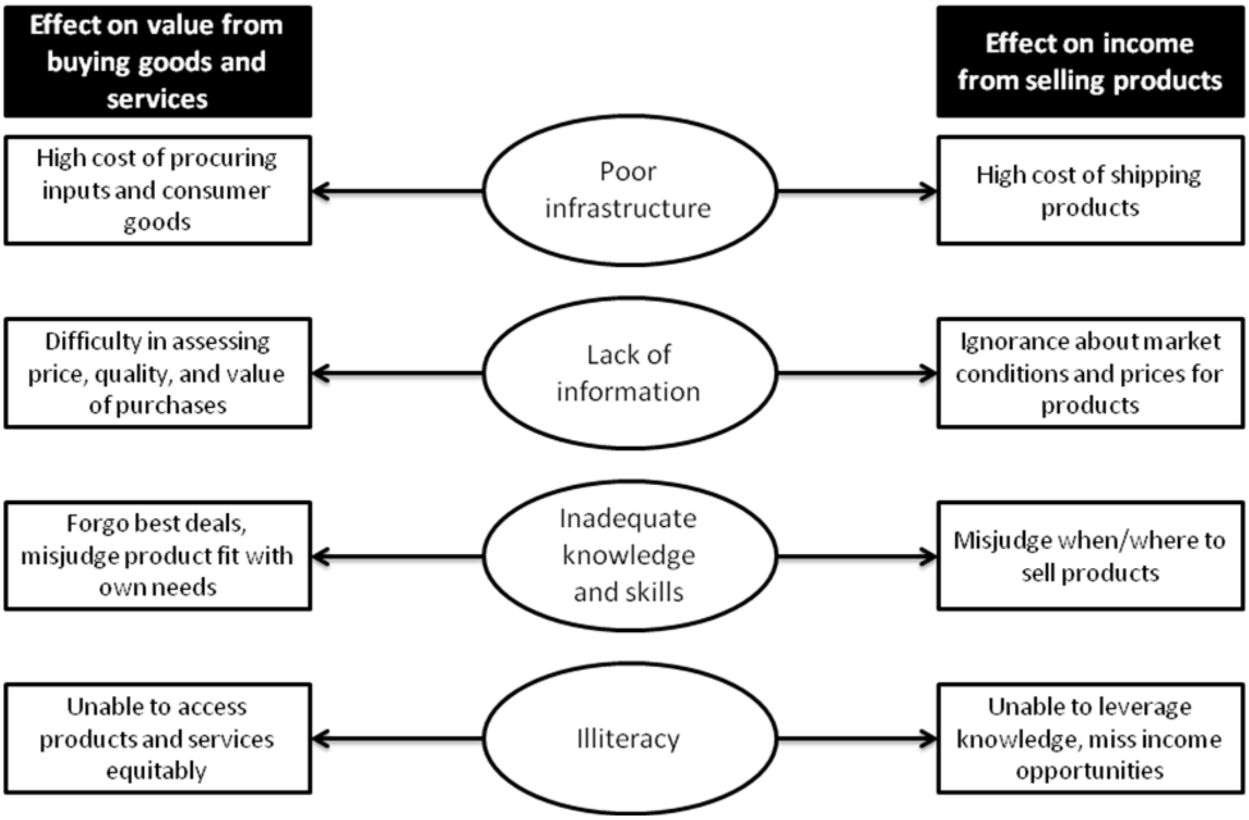
This paper is organized as follows. First, we provide a background of poverty and its causes. We then review different perspectives towards corporate social responsibility and expectations from corporations. Market-based solutions towards poverty reduction and how it can be related to social entrepreneurship literature are explained thereafter. The conceptualization of CSE is provided and potential enablers and benefits of CSE are reviewed. The paper concludes with some theoretical and managerial implications.

2 The context of base of the pyramid (BOP)

The term base of the pyramid (BOP) is a reference to the approximately four billion people low-income populations who are living under adverse socio-economic conditions (Prahalad, 2009). Despite immense wealth creation and technological innovation in western societies, these people are still deprived of access to basic services and products (World Economic Forum, 2005). They suffer from deficiencies in health, sanitation, availability of clean drinking water, food and agriculture, education, transport, communications, money, energy, shelter and legal arrangements.

Causes of the miseries of the poor can be classified into four major areas, namely, poor infrastructure, information inadequacies, a lack of knowledge and skills, and illiteracy (Vachani and Smith, 2008). These factors usually influence both the purchasing and selling of commodities in low income populations (see Figure 1) and necessitate more innovative and entrepreneurial approaches for addressing them. Each of these factors is explained here.

Figure 1: Factors Affecting the Rural Population's Income and Quality of Life, adapted from Vachani and Smith (2008)



Poor infrastructure: The BOP population is mostly concentrated in rural areas (Hammond et al., 2007) which are not adequately connected by roads. The lack of appropriate infrastructure makes transportation to and from villages difficult and therefore it is infeasible for low income people to buy their products from a more competitive market or sell their commodities in higher priced markets (Vachani and Smith, 2008).

Information inadequacy: Rural households usually do not have access to sufficient information to make informed decisions about buying and selling. They are not aware of competing prices of commodities and usually have few options regarding the time and location at which they can sell their products. This information asymmetry usually stimulates middlemen to offer low prices for rural products and to ask high prices for consumer goods (International Fund for Agricultural Development (IFAD), 2001).

Lack of knowledge and skills: Although the availability of proper information is essential, it is not usually sufficient for the poor to enhance their lives. A lot of information can be misleading if people do not know how to employ this information in their decision making. A lack of analyzing capability can inhibit the benefits of information (Vachani and Smith, 2008).

Illiteracy: Suffering from a lack of education, impoverished people are rarely able to develop the knowledge and skills required to obtain value from information (Vachani and Smith, 2008). According to The World Bank (2005), 64% of sub-Saharan Africa and 61% of South Asia are regions with the highest levels of illiteracy. The average numbers of years of education are 5 years in India, 5.8 years in Nigeria and 2 years in South Africa.

3 Social responsibility perspectives and expectations from corporations

There has been an ongoing debate among CSR scholars on the purpose of a company and consequently its social responsibility towards poverty reduction (Campbell, 2007, Mackey et al., 2007, Marquis et al., 2007). While some claim that companies' roles are limited to offering products and services that produce profits for their shareholders, others argue that corporations should be responsible toward the society as a whole. According to the advocates of the first perspective, who include Economics Nobel Laureate Milton Friedman (1970), CSR contradicts capitalism and the very nature and purpose of business. He questions whether corporations should take responsibility for social issues. From this point of view, corporations view their CSR as the provision of goods and services required by society at the right price, of the right quality and at the right level of service (Knox and Maklan, 2004). Consequently, corporate donations and the use of organizations' resources by charities for the good of society are detrimental as they increase product prices and may decrease profitability (Pinkston and Carroll, 1996). This group of scholars claim that social responsibility is the obligation of people rather than corporations. Knox and Maklan (2004), for example, argue that expecting corporations to commit themselves to solving social challenges is asking too much.

Critics of this perspective argue that commercial firms should serve the community that they reside in, as well as the direct beneficiaries of their operations. They maintain that commercial organizations should serve human beings by contributing to economic justice for all (Freeman, 1984); they add that, by implementing CSR strategies, organizations can significantly improve their long-term profitability and offer benefits to individuals and society (Kanji and Chopra, 2010). From their perspective, CSR is a win-win strategy for both corporations and society (Kanji and Chopra, 2010). Donaldson and Preston (1995) stress that business is responsible to its stakeholders, where stakeholders are characterized by their "interest, right, claim or ownership in an organization" (Coombs, 1998, p. 289).

Despite different perspectives on CSR, it is nowadays widely accepted that corporations need to integrate the interests of society, communities, the environment and other stakeholders into their business decisions. However, the scope of CSR activities, for example for poverty reduction, is still heavily disputed (Crowther and Rayman-Bacchus, 2004).

4 Market-based solution toward poverty reduction

While some do not see any responsibilities for MNCs beyond philanthropic donations, others argue that corporate philanthropy has proved to have a limited and only short-term impact (Austin et al., 2008). It may even prove detrimental because the free provision of goods and services may hinder the creation and/or development of industrial sectors (Banae and Yandell, 2006). To solve this problem, a new approach, with an emphasis on strengthening the role of business in poverty alleviation, seems to have come to the fore, ignited by organizational support such as that from the World Business Council for Sustainable Development (WBCSD) (WBCSD, 2005) and academics such as Prahalad (2009). The WBCSD's members promote a win-win strategy that stimulates corporations to take an active involvement in addressing social problems. They suggest building inclusive business models that create new revenue streams for firms while also serving the needs of the poor through sound commercial operations (WBCSD, 2005). Grayson and Hodges (2004) suggest that companies should perceive social problems as opportunities and develop business models to profit from them. Likewise, a market-based approach towards poverty reduction (Hammond et al., 2007) suggests bringing business opportunities to the poorest tiers of the worldwide population (Prahalad, 2009, Prahalad and Hammond, 2002).

Traditional approaches towards poverty reduction assume that the poor are unable to help themselves and need charity. However, the market-based approach acknowledges that being poor does not necessarily eliminate one's engagement in commerce and market transactions. In fact, poor families have to trade cash or labour in order to satisfy their own basic needs. Thus, the latter approach views poor people as consumers and producers and seeks more efficient models that can create value for the poor. The traditional philanthropic approach addresses unmet needs through direct public investments, subsidies, or other handouts. Although this has been helpful in satisfying basic needs, actual poverty elimination has not been strikingly successful. The market-based approach, on the other hand, aims to develop solutions in the form of new products and new business models that can be sold at affordable prices. These solutions are ultimately market-oriented and demand-driven and may involve market development, hybrid business strategies, consumer education, microloans, and franchise or retail agent strategies that create jobs and increase incomes (Hammond et al., 2007, p.6). With this approach, organizations can reduce poverty by employing their expertise to develop affordable products/services to address the unmet needs of impoverished people and/or by empowering the poor by incorporating them in their supply chains as producers. Here, the poor are treated as the firm's consumers and/or its producers (Boyle and Boguslaw, 2007, Prahalad, 2009). Rangan and McCaffrey (2006) refer to a market-based approach to poverty reduction as developing more choices and improving the quality of life for the poor. This approach towards implementing CSR and poverty reduction has also been welcomed more warmly by business leaders as it offers the prospect of financial gains for firms (Zu and Song, 2009). This is a win-win strategy in that corporations can seek profits while eradicating poverty.

There are several examples of market-based initiatives for poverty reduction. Prahalad (2009) reviews the activities of many corporations that have adopted a market-based approach. For example ICICI, one of the leading banks in India, has come up with micro-finance that gives the poor some access to finance, however small. Unilever in India is modifying its products in a way to make them affordable while keeping the same quality. It has also developed a new distribution channel which recruits poor women to serve low-income people in remote areas. CEMEX, one of the world's largest cement manufacturers, based in Mexico, is offering a full range of building products at reasonable prices to low-income people through bypassing several middlemen.

5 Market-based poverty reduction and social entrepreneurship

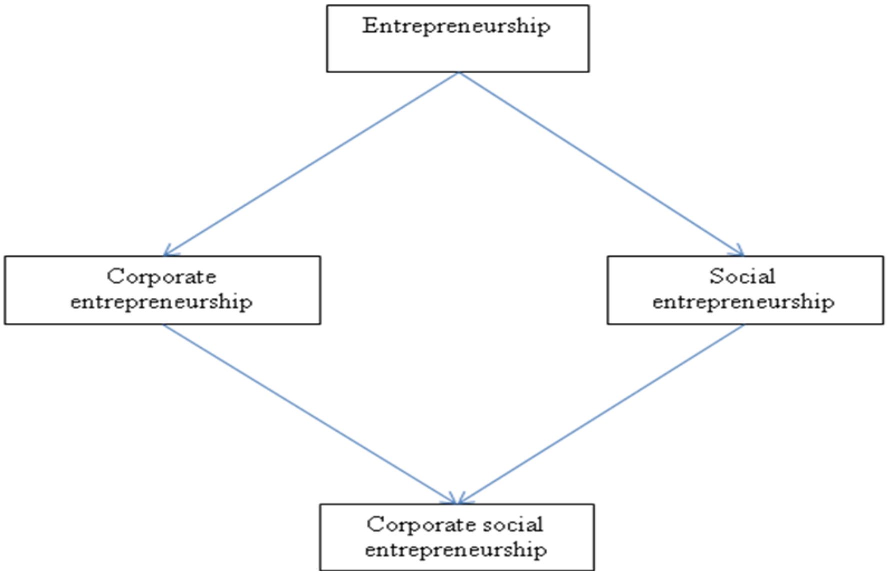
Offering market-based solutions requires that MNCs perceive social challenges as opportunities through which they can potentially make a profit (Grayson and Hodges, 2004). In addition, corporations have to find innovative solutions and change their business models and strategies when working with low-income people (London and Hart, 2004). The process of innovative identification and exploitation of social opportunities (Zahra et al., 2008) has also been studied in the emerging field of social entrepreneurship (Peredo and McLean, 2006, Nicholls, 2008, Chell et al., 2010). By questioning prior approaches to addressing complex and persistent social problems, social entrepreneurs adopt new solutions in order to make significant and diverse contributions to their communities and societies, and address overlooked social problems (Zahra et al., 2008, Neck et al., 2009).

As in any nascent field, most of the early studies have focused on definitional issues (Mair and Marti, 2006, Martin and Osberg, 2007, Peredo and McLean, 2006, Neck et al., 2009). Although these endeavours have been illuminating, there is still not much consensus on the definitions and boundaries of social entrepreneurship (Peredo and McLean, 2006, Mair and Marti, 2006, Martin and Osberg, 2007). While some scholars argue that it is limited to non-profit initiatives (Boschee, 1998, Dees, 1998), others claim that it can refer to for-profit activities that create social value (Austin et al., 2008, Thompson et al., 2000). There is also a lack of agreement as to whether social entrepreneurship is limited to the context of small and medium-sized enterprises or can also be used for large, established corporations that pursue both economic and social value creation. To solve this, some scholars (Austin et al., 2008, Tasavori and Sinkovics, 2010, Kuratko et al., 2011, Kuratko et al., 2012) suggest the term corporate social entrepreneurship (CSE) to refer to the socially-entrepreneurial behaviour of large and established corporations. This is also consistent with the entrepreneurship literature, which offers the term corporate entrepreneurship to refer to the entrepreneurial behaviour of large corporations (Schollhammer, 1982, Zahra, 1991, Pinchot, 1985, Kanter, 1984, Burgelman, 1983).

6 Conceptualizing corporate social entrepreneurship

Austin et al. (2005) explain that CSE is built upon the conceptualizations in the field of entrepreneurship namely: social entrepreneurship and corporate entrepreneurship (see Figure 2).

Figure 2- Underlying concepts in CSE (Austin et al., 2005, p.239)



Therefore, CSE can be considered as corporate entrepreneurship that has the mission of solving social problems and creates social value (Kuratko et al., 2011, Tasavori and Sinkovics, 2010). To learn about CSE, we have to understand corporate entrepreneurship and social value creation. To conceptualize CSE, first, the dimensions of corporate entrepreneurship and social value creation are explained. Then, a framework of CSE is proposed.

6.1 Dimensions of corporate entrepreneurship

Previous dimensions that have been used to measure corporate entrepreneurship can be classified into three groups. Some scholars have focused on the entrepreneurial orientation of the firms, such as innovativeness and proactiveness (Covin and Slevin, 1986, Knight, 1997, Kearney et al., 2007). Others have focused on the engagement of corporations in corporate entrepreneurship and have used dimensions such as new business venturing, innovation and organizational renewal (Brazeal, 1993, Zahra, 1993). Antoncic and Hisrich (2001) have suggested a more comprehensive perspective which is a combination of previous dimensions and includes new business venturing, innovativeness, self-renewal and proactiveness. Each of these dimensions is explained here:

Innovativeness- Innovativeness stresses the tendency to employ and support new ideas, creativity and novel solutions in addressing challenges confronting the firm (Lumpkin and Dess, 1996). It may result in the development or enhancement of products and/or services, as well as new administrative techniques and technologies for performing organizational functions (e.g. production, marketing, sales and distribution) (Schollhammer, 1982, Zahra, 1993, Covin and Slevin, 1991, Knight, 1997). It has also been seen as departing from current practices and technologies (Kimberly, 1981).

Proactiveness- Proactiveness refers to anticipating and exploiting new opportunities (Lumpkin and Dess, 1996). This dimension highlights how much a firm shapes its environment by introducing new products, technologies or techniques (Miller and Friesen, 1978) before its competitors. Lieberman and Montgomery (1988) highlight the importance of first-mover advantage for seizing opportunities. Knight (1997) defines proactiveness as aggressive posturing of a firm relative to its competitors. Covin and Slevin (1991) refer to this as competitive aggressiveness and boldness that is reflected in the orientations and activities of top management. Finally, proactiveness depicts how fast a firm can innovate and introduce new products or services (Miller, 1983).

New business venturing- This dimension refers to new business creation within an existing organization (Stopford and Baden-Fuller, 1994) by redefining a firm’s products or services

(Rule and Irwin, 1988) and/or by developing new markets (Brazeal, 1993). In large companies, it can refer to the formation of more formally autonomous or semi-autonomous units or firms (Schollhammer, 1982, Kanter and Richardson, 1991). In general, and regardless of an organization's size and level of autonomy, the new business venturing dimension refers to the creation of new businesses that are related to existing products or markets.

Self-renewal- This dimension is related to the transformation of an organization through the renewal of the key ideas on which it is built (Guth and Ginsberg, 1990, Zahra, 1991, Stopford and Baden-Fuller, 1994). It can include the redefinition of the business concept (Zahra, 1993), a new strategic direction (Vesper, 1984) and the continuous renewal of organizations (Muzyka et al., 1995).

6.2 Dimensions of social value creation

According to Young (2008, p.62) "social" may be found in everything and the "value" that social entrepreneurs pursue refers to benefiting "people whose urgent and unreasonable needs are not being met by other means". Based on and adapted from Young (2008) and considering the factors that cause poverty (poor infrastructure, information inadequacies, a lack of knowledge and skills, and illiteracy) (Vachani and Smith, 2008), this research defines social value creation by four dimensions of social added value, empowerment, systemic change and social innovation.

Social added value- Social added value is a common feature among all the activities of social entrepreneurs as they address the neglected deep-rooted social problems. There are various examples which can demonstrate social added value. Kid's Company, for example, is an institute working with street children and troubled young adults. To solve this social problem which is lack of attachment, Kid's Company has asked its staff to bring love to their work beyond their professional skills. This will provide the sense of belonging to the intended beneficiaries (Young, 2008).

Empowerment - The second dimension is empowerment, which refers to improving the income of disadvantaged people by, for example, creating employment opportunities for those who are seen as taboo, dysfunctional or undeserving, or educating them to develop their skills, or helping them earn more money from their existing business (Young, 2008). An example is Green Hotel in South of India which provides environmental and social tourism and has employed abused women.

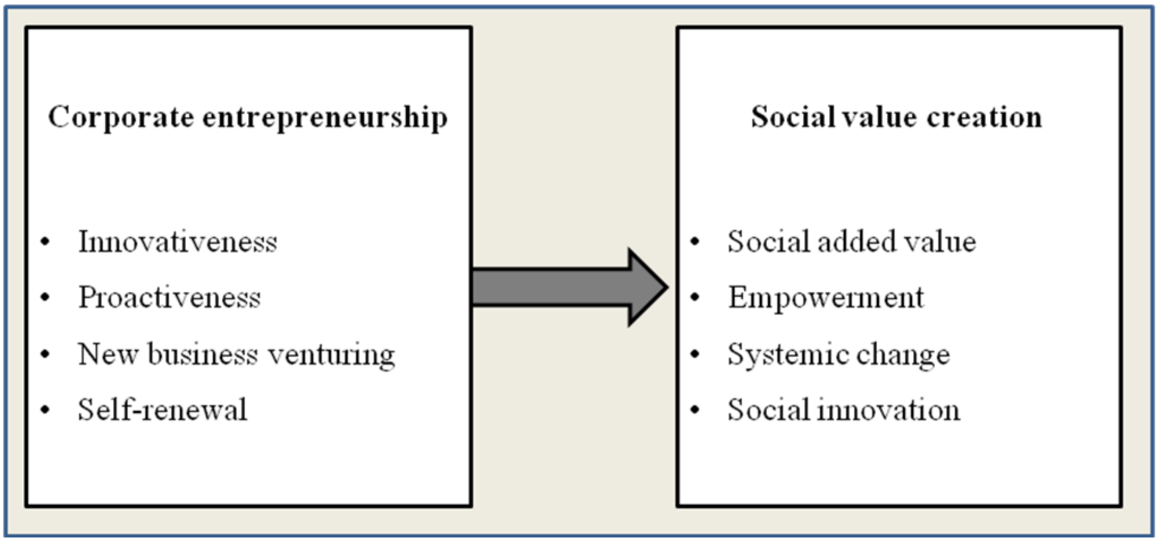
Systemic change- Systemic change mainly focuses on transforming practices, structures, beliefs and deep-rooted cultural prejudices (Young, 2008). Sometimes poor people are trapped in their own traditional mindset or do not easily accept new technologies that may improve their lives. Systemic change, thus, refers to educating people to change their traditional understanding and behaviour. An example of this can be educating people about the use of mobile technology and how it can offer new solutions to the poor's lives.

Social innovation- The fourth aspect of social value creation is social innovation, which highlights creating social value by employing fewer resources to achieve higher outcomes and solving insoluble problems. Innovation here refers to combining existing elements in a new way in the life of the disadvantaged group rather than in the organizations. An example is initiatives of International Development Enterprise in India that have brought the cheap, simple, durable technology of water pumps to the lives of poor farmers and have helped them to reduce their agricultural costs and earn more money (Young, 2008). By employing innovative solutions, poor people will benefit from solutions that can reduce their living costs. For example, being trapped in poverty, poor people usually have to pay higher interest rates for the loans that they take out from intermediaries. However, if banks offer financial services for the poor with lower interest rates, poor people will be able to achieve their goals (accessing money) with lower cost (lower interest rate).

6.3 Conceptualisation of corporate social entrepreneurship

Now that the dimensions of corporate entrepreneurship and social value creation have been explained, we can propose the following model for understanding CSE (See Figure 3):

Figure 3: corporate social entrepreneurship conceptualization



Based on this model, when organizations engage in any type of corporate entrepreneurship (innovativeness, proactiveness, new business venturing, self-renewal) in order to solve a social problem and create social value (social added value, empowerment, systemic change, social innovation) they can be considered as corporate social entrepreneurs.

To address poverty through market-based initiatives, corporations sometimes have to embrace innovation to modify/develop products and processes that suits the needs of the BOP. Those companies that learn to seize social opportunities at the BOP can benefit the first mover advantage and create competitive advantage for their firms by serving huge untapped market (Prahalad, 2009). As a result, they can be considered as proactive companies.

To enter the BOP markets, sometimes companies have to establish a new firm . For example, MNCs may establish a foundation that is in charge of serving the needs of poor people through entrepreneurial activities. Finally, companies may engage in self-renewal to develop a new business concept that is suited to the lower-income population.

In relation to social value creation, when companies address the needs of less disadvantaged people, they create social value. They can also create social value by empowering them and recruiting poor people as part of their distribution channel, for example as Unilever did in India. Companies can create systemic change by introducing new ways of earning money through the loans that banks provide. They can also embrace social innovation by offering micro-finance, micro-insurance, or building materials as CEMEX did.

7 Enablers and benefits of CSE

In the rest of this paper, we propose potential enablers and benefits of CSE based on entrepreneurship and CSR literature.

7.1 Enablers of CSE

To be successful in the development of CSE, companies have to develop specific organizational characteristics that are stimulants for the development of corporate entrepreneurship. Here, based on corporate entrepreneurship literature, some of the organizational factors are reviewed. These factors include organizational values, open communication, organizational support and number of alliances/partnerships.

7.1.1 Organizational values

Organizational value is proposed as one of the drivers of CSE. Kanter (1984) suggests a combination of emotional and value commitment can enhance innovativeness in an organization. Organizational values represent managers' philosophies and ideals which govern the behaviour of employees (Zahra, 1991). Values in the organization can persuade individuals to generate new ideas, knowledge and solutions (Wong, 2005). In the context of CSE, values related to encouragement of not only corporate entrepreneurship but also being socially responsible play an important role. Organizations should emphasize that social mission is a central and integral part of the firm's values (Austin et al., 2008). An organization's ethical values and its expectations of ethical conduct will determine what kind of behaviour is accepted or discouraged (Grojean et al., 2004). Other value-related drivers of social engagement of the firm include characteristics, values/beliefs, and visions of strategic leaders (Guth and Ginsberg, 1990, Ibrahim et al., 2003, Coffey and Wang, 1998) and attitudes of individuals within the firm (Stevenson and Jarillo, 1990).

Proposition: Social values in the organization encourage engagement in CSE.

7.1.2 Open communication

Open communication and information flows are key factors in organizations (Chadam and Pastuszak, 2005, Wong, 2005) which foster corporate entrepreneurial environment (Kanter, 1984, Pinchot, 1985) and social innovativeness (Bowen, 2004). To promote CSE, managers should emphasize the importance of new ideas to solve social problems at all levels of the organization. Open communication facilitates the generation and introduction of new ideas and cultivates innovation and creativity among employees (Rule and Irwin, 1988, Zahra, 1991). Communication promotes interdisciplinary cooperation (Kanter, 1986) which brings together various talents required for the pursuit of a viable corporate entrepreneurship (Zahra, 1991). The more the quantity and quality of communication, the more successful the larger companies in initiating and implementing corporate entrepreneurship (Peters and Waterman, 1982, Zahra, 1991) and consequently CSE.

Proposition: Open communication in the organization facilitates embracing CSE.

7.1.3 Organizational support

Generation, exploration and development of new ideas should be supported by an organization's resources. Organizations should create an internal environment that signals the importance of CSE (Austin et al., 2008). Findings suggest that management involvement (Merrifield, 1993), top management support, commitment, and style, staffing and rewarding of venture activities (MacMillan, 1986) play a profound role in the implementation of corporate entrepreneurship. Training and trusting individuals to detect opportunities can also spur corporate entrepreneurship (Stevenson and Jarillo, 1990, Demirbag et al., 2006). Kuratko et al. (1990) highlight other influential aspects of organizational support such as work discretion, rewards, time availability, and loose intra-organizational boundaries.

Proposition: Organizational support facilitates engagement in CSE.

7.1.4 Number of alliances/partnerships

Antoncic and Hisrich (2004) have identified having a number of alliances as conducive to corporate entrepreneurship. They suggest inclusion of this dimension in organizational characteristics as it reflects the relationship of a firm with other companies. Collaboration with other firms has been usually adopted as a strategy for innovation and especially new product/service development (Smith et al., 1991). Having a number of alliances can be positively associated with CSE as well. A partnership of MNCs with social communities and NGOs will give them access to detailed knowledge of social problems (Keinert, 2008) which can be beneficial for the development of new products or services. Examples include Ford

Motor Company's partnership in South Africa to deal proactively with HIV/AIDS, and Bank of America's partnership with a Swedish environmental organization (Bartunek et al., 2003).

Proposition: The number of partnerships with social sector organizations is positively related to the development of CSE.

7.2 Benefits of engagement in corporate social entrepreneurship

7.2.1 Enhanced corporate performance

Improved organizational outcomes in terms of growth and profitability have been proposed as being a result of corporate entrepreneurship (Zahra and Covin, 1995, Covin and Slevin, 1991, Zahra, 1991). New product or service development has been found to be a key success factor that differentiates successful from unsuccessful companies (Auruskeviciene et al., 2006). Corporate entrepreneurship is related to the exploitation of opportunities and will lead to better use of resources and consequently better firm performance (Zahra, 1991).

Empirical research has provided credible evidence that more socially responsible companies benefit from new business opportunities through the value added to products and services. Recent studies demonstrate that the number of "ethical consumers", who care about the ethical components of products, is growing (Aguilera, 2005) and that more consumers prefer to buy products and services from more socially responsible firms (de la Cruz Déniz Déniz and Suárez, 2005). Also, ample evidence has been brought forward of a significantly positive relationship between corporate social performance and financial performance (Seifert et al., 2003). For example, studies illustrate that environmentally friendly companies have a better performance in terms of productivity, innovation, market growth, return on investment and overall profitably (Loza, 2004).

Proposition: Embracing CSE will result in better corporate performance.

7.3 Prevention of or exit strategies from organizational crisis

Engagement in CSR activities can benefit organizations as a preventive measure as well. Through years of undertaking CSR activities, some organizations have established a culture of participation, respect for values, rights and interests, and actual business practices supporting these ideas, all of which may help to prevent crises from occurring. Such organizations can even detect crisis signals early, by listening to internal and external constituencies (Hummels, 1998), and thus take the appropriate action immediately (Simola, 2005).

Sometimes an organization may find itself in a crisis due to an unethical situation which may devastate its corporate reputation. Being an active, socially responsible corporation can assist the company in exiting such a crisis or even prevent its occurrence (Grojean et al., 2004). For example, being under heightened criticism from NGOs and the media, Newmont Mining in Peru decided to form partnerships with local communities to invest in the social fabric and infrastructure around its mining operations in order to regain its lost legitimacy (Gifforda and Kestlerb, 2008).

Proposition: Engagement in CSE will help companies to prevent or exit organizational crises.

7.4 Achievement of organizational commitment

When organizations engage in CSE activities, they improve their reputation for having high values and ethical standards, which makes them attractive employers and helps them to recruit a highly-qualified workforce (Crowther and Rayman-Bacchus, 2004). In addition, socially-responsible organizations have been shown to be successful in increasing their employees' loyalty and, consequently, making them more committed to upholding their interests (Salmones et al., 2005). Commitment can be defined as the "strong belief and acceptance of organizations' goals and values, the willingness to make efforts for the organization, and a strong desire to remain a member of this organization" (Cullen et al., 2003). The congruency of individual personal values with an organization's social values not only decreases the likelihood of employees leaving the organization (Hemingway, 2005), but also determines their performance (Grojean et al., 2004). It also results in greater satisfaction among employees and a higher quality work life (Luthar et al., 1997), which is thought to affect employee retention (Lin and Lin, 2006).

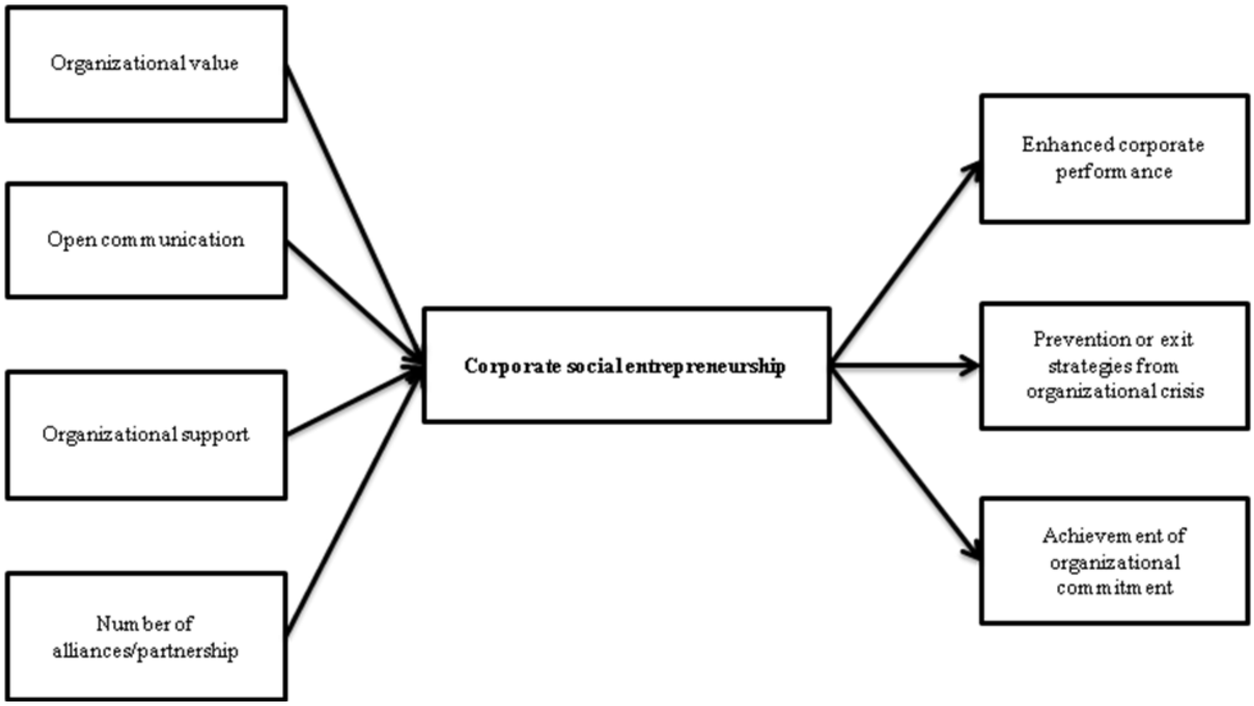
The image that a company portrays is also important for potential employees. Undertaking CSE activities and having an excellent corporate reputation make a company a more attractive place for new workers; they are thus likely to be highly-qualified and motivated to join the workforce (Crowther and Rayman-Bacchus, 2004) and this will further increase the loyalty of the existing employees (de los Salmones et al., 2005).

Proposition: Engaging in CSE will result in a better organizational commitment.

8 Conclusion

This research aimed to shed light on market-based initiatives of MNCs from a CSE perspective. To achieve this goal, after explaining market-based activities, we related it to social entrepreneurship literature and specifically CSE. We pinpointed that CSE is the entrepreneurial initiatives of firms that lead to social value creation. We also reviewed the dimensions of corporate entrepreneurship and social value to provide a better understanding of CSE. Finally, building on the entrepreneurship literature and CSR literature, we proposed some factors that can stimulate CSE in an organization and highlighted the benefits that companies can gain by pursuing CSE which are summarized in Figure 4.

Figure 4- Enablers and benefits of CSE



This paper contributes to a better understanding of market-based initiatives by conceptualizing it from a CSE perspective. Our review of literature also adds to CSR and entrepreneurship domains by highlighting some enablers and benefits of CSE.

This research has several implications for managers. First, it enables managers to implement their social responsibility through a CSE approach. It also illuminates how corporations can implement market-based solutions for poverty reduction by developing corporate entrepreneurship (innovativeness, proactiveness, new business venturing and self-renewal) in their organization and creating social value (social added value, empowerment, systemic change and social innovation). In addition, this research gives some ideas to managers of MNCs about the organizational factors that should be taken into account when they want to implement CSE at the BOP. By revealing the benefits that companies can gain through CSE, managers of MNCs can better persuade their organizations to embrace CSE and thus play a role in poverty reduction.

This research is limited to the review of literature. Future studies can extend this research by collecting data and testing the propositions of this research.

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