

'Social profit orientation' can help companies and nonprofits alike do more good in the world

September 4 2024, by Leonard L. Berry, Lerzan Aksoy and Tracey Danaher



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Economist [Milton Friedman's influential maxim](#), that a company's sole obligation is to maximize profits, is outdated. Many companies have

voluntarily integrated social concerns into their business operations through [corporate social responsibility](#), or CSR, policies for years.

More recently, some companies have broadened their notion of what's required of them beyond a traditional CSR approach by adopting what's known as environmental, social and governance (ESG) strategies that can be more appropriate for confronting challenges that go beyond the social realm, such as climate change.

What happens when a company or a nonprofit operating at a national or global scale commits to improving the well-being of people and the planet? Does that commitment compromise its ability to thrive or, if it's a public company, to comply with the financial return expectations of its shareholders?

Doing right by people and the planet

This tension, and questions about the authenticity of corporate social responsibility and environment, social and governance commitments, have been the subject of much debate over the past decade, with the pendulum swinging from one side to another.

Some conservative states have [enacted anti-ESG laws](#) aimed at [preventing public pension funds](#) and even insurance companies from considering the potential long-term effects of climate change on their investments. So-called [anti-woke lawsuits](#) from shareholders alleging that a company's social policies illegally restrain profits are on the rise.

Although anti-ESG shareholder proposals are increasing, [they typically receive the support of fewer than 5%](#) of the shares voted, in part due to institutional investors understanding the [long-term corporate risks of neglecting climate change](#) and social unrest.

The [three of us](#) are [marketing scholars](#) who teamed up with [two other professors](#) to examine whether organizations can and should go further than CSR and ESG approaches. We also wanted to see whether it's worth withstanding the inevitable political backlash to try to meaningfully address the quality-of-life challenges of modern society: climate change, poverty, food insecurity, homelessness, wars, pandemics and more.

To assess whether it's feasible to take social and environmental action and still prosper financially, we conducted 78 in-depth interviews with executives from [21 for-profit companies and nonprofit organizations](#) around the world that strive to do one or the other or both. We also analyzed archival data regarding the companies' and nonprofits' performance.

Among the organizations we studied are MasterCard, whose [Girls4Tech](#) initiative has helped more than 1 million girls around the world develop technology skills; [World Central Kitchen](#), a nonprofit that has fed millions of hungry people in dozens of countries following and amid hurricanes, fires, wars and other disasters; [buildOn](#), a nonprofit that works with [low-income communities](#) in the U.S. and abroad to build schools; and Australia's [Children's Cancer Institute's ZERO program](#), a registered charity that draws significant government funding that uses genomic data to guide precision treatment planning for kids with cancer.

We found that the opportunity to do good socially and well financially is real for these companies and nonprofits. By seeking to do right by the public and the planet, reputations are strengthened, employees are energized, external relationships are enhanced, new competencies are created—and society benefits.

Moving beyond CSR and ESG

We find that companies and nonprofits can prosper when they embody

what we're calling a [social profit orientation](#) by making sustainable, social and environmental impact central to their missions.

At first glance, social profit orientation may seem similar to corporate social responsibility, but there is a significant difference. CSR companies often sponsor commendable activities, such as recycling drives and volunteering, while still [making financial profit a priority that's above all else](#). With social profit orientation, financial profits and benefits for the common good are equally prized. It is a deliberate, strategic, organization-wide effort to address systemic social and environmental challenges.

Unlike [corporate social responsibility](#) and environmental, social and governance initiatives, which [critics view](#) as [peripheral](#) to the core business strategy and profit-draining, a social profit orientation embeds social impact directly into the organization's mission, integrating social good with economic goals. This can help reduce the risk of legal challenges based on [fiduciary duties](#)—a legal obligation to make decisions that will protect shareholders' financial interests—as the nonfinancial initiatives are tied to the organization's long-term success.

This framework applies to nonprofits as well as for-profit companies, because not all nonprofit organizations meet our social profit criteria. There are for-profit hospitals in the U.S., for example, that [provide more free health care](#) to patients in need than nonprofit hospitals.

Companies with a social profit orientation more closely resemble [B Corporations](#), which also have voluntarily set [goals tied to doing good](#), than most companies adhering to CSR and ESG principles. Unlike with B Corporations, which must be certified by a nonprofit that exists for this purpose, there's no social profit certification system. In addition, social profit orientation goes further than what B Corporation certification requires, and it's relevant for nonprofits as well as

companies.

3 pillars of social profit

We've found that three things distinguish organizations with a social profit orientation from other companies and nonprofits: their approaches to setting and achieving goals; managing and deploying resources; and cultivating and sustaining relationships.

Goals

To embed social profit within a management strategy, it's crucial to set goals that reflect a deep commitment to societal impact and go beyond conventional targets. A good example of this is [Gundersen Health System](#), a Wisconsin health care nonprofit that's now part of [Emplify Health](#) following a 2022 merger.

Gundersen stands apart for how it invested in an innovative, holistic response to hospital-created pollution.

By setting and pursuing specific sustainability goals, Gundersen in 2014 became the first U.S. health system to offset 100% of its fossil-fuel use with self-produced energy—from solar and wind farms that it built and by transforming biogas from a landfill into electricity and heat, along with concerted efforts in recycling, sustainable facility design and reducing energy waste on pumps, motors and lighting.

By 2014, Gundersen was saving more than [\\$3 million annually from its environmental initiatives](#). The early savings helped to fund other waste-reduction initiatives in pharmaceuticals, supplies and food, but profit wasn't the driving force.

"Our mindset was how do we protect the environment so it is part of how we work, how we live, and how we work with our communities," [Dr. Jeff Thompson](#), who led the effort while serving as Gundersen's CEO, told us.

Resources

Companies and organizations with a social profit orientation invest their money, labor, technology, time and other resources with the aim of making positive social impact, along with financial success.

Consider the arc of [Oportun Financial Corp.](#), a California-based financial services company founded in 2005. Its leaders believe that "everyone deserves affordable credit," not just people with ample income and credit scores.

It invested in AI-driven platforms to assess the creditworthiness of people who often lack a credit score, enabling qualified borrowers to build credit histories and obtain reasonably priced loans while avoiding [payday lenders](#).

By the end of 2023, [Oportun had lent more than \\$18.2 billion](#) to borrowers, saving them \$2.4 billion in interest and fees. Oportun increased its revenue from \$584 million in 2020 to a record \$1 billion in 2023. Although it lost money in 2023 due to higher interest rates and inflation, [analysts are optimistic about the future performance](#) of its stock.

Relationships

Organizations and companies cannot create any social profit without building strong relationships with their employees, customers, clients,

shareholders and business partners. Relationships with donors, community agencies, volunteers and other stakeholder groups can also be crucial.

[Rescue Agency](#), a private, for-profit marketing agency operating in the U.S. and Canada, helps governments and nonprofits develop persuasion campaigns targeting unhealthy behavior, such as alcohol, substance use disorders and smoking. It seeks to learn as much as possible about the community targeted in a marketing campaign and then employs people who are in recovery to convey the message of behavioral change.

As founder [Jeffrey Jordan](#) says, "You cannot begin to address opioid addiction until you understand what it is like to be addicted." Rescue Agency's "[Commune](#)" campaign focused on young-adult smokers frequenting the bar scene who tend to resist traditional prevention methods. [A controlled study](#) in San Francisco showed a statistically significant, sustained decline in smoking rates for these young-adult bar patrons from baseline 51.1% in 2012-13 to 44.1% 2015-16.

We found that the trust and collaboration that Rescue fosters enables its success in hard-to-accomplish behavioral change.

Good for business

We believe that companies and organizations with a social profit orientation unleash the power of generosity in advancing the common good. They revitalize and strengthen themselves in doing so, partly because improving the lives of people and safeguarding the planet is good for business.

Based on our research, we are confident that a social [profit](#) orientation can be a central pillar in organizational success. It can also be strategic by helping companies and nonprofits future-proof themselves against

evolving market dynamics and social changes.

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Provided by The Conversation

Citation: 'Social profit orientation' can help companies and nonprofits alike do more good in the world (2024, September 4) retrieved 5 September 2024 from <https://phys.org/news/2024-09-social-profit-companies-nonprofits-alike.html>

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