

Guardrails and paradoxes of successful social enterprises

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"As our world cries out for repair, organizations have responded. For-profit businesses are adopting socially responsible programs and practices."

This is how Wendy Smith, a management professor in the University of Delaware's Alfred Lerner College of Business and Economics, and her co-author, Cornell University's Marya Besharov, begin their examination of the trend of companies working to both do well and do good. In their recent blog post on the Cambridge Judge Social Innovation Blog, they summarize their paper on this topic, published in top management journal *Administrative Science Quarterly*.

But as companies seek to have it all – businesses that provide both profits and a positive impact on society – they face the challenge of balancing sometimes contradictory goals. This is where, Smith and Besharov contend, paradoxical thinking and mindsets can have the power to address some of society's greatest challenges.

In this Q&A with Smith, we learn more about the tools that successful social enterprises use, and how both companies and individuals can apply them:

Q: What inspired this research project?

Smith: This research came about because of the recognition that more organizations today are trying to address competing and often inconsistent missions, strategies and goals at the same time. Social enterprises are a core example, trying to succeed at both a social mission – making a difference in the world for a broader community – and a [business](#) purpose – driving revenues and profits.

Balancing these competing goals is hard to do. People have very different understandings of how to deal with each of these worlds, and these things often conflict with each other, causing a lot of tension and making it difficult to manage, oftentimes leading to failure.

So the question that we were coming to answer was how to address these

competing demands over time. To answer that question, we had access to Digital Divide Data, an award-winning, internationally recognized work integration social enterprise that started in Cambodia.

Q: So what stood out as special about Digital Divide Data?

Smith: The main "a-ha" that we saw in how Digital Divide Data navigated these competing demands was their ongoing, very dynamic way of approaching the social mission and the business mission. They continually shifted focus between the two over time.

What enabled them to live in a dynamic flow in a productive way? That's where guardrails and frames come in, these structures and mindsets that allowed them to do this.

Q: What are guardrails and frames? And how do they help organizations like Digital Divide Data?

Smith: The guardrails are a set of boundaries: specific internal roles of senior leaders, external stakeholders, metrics, structures inside the organization, affiliated either with the social mission or the business, that basically made sure that they continue to commit to both of these.

We call them guardrails using the metaphor of guardrails on the side of the road: They create the boundaries in which the organization can navigate or be dynamic. It doesn't allow you to go off the rails by only focusing on the social mission or on the business mission.

They knew that they were going to be committed to their social mission of stopping the cycle of poverty in Cambodia, then Southeast Asia, then beyond, and they knew they wanted to be an operationally sustainable

revenue-based IT firm. So they started from the beginning to put in place these guardrails to make sure that both of these things were going to happen.

What we find is that sometimes if you set up these structures that are focused on one mission or the other mission, they can also cause conflict. They can become guards for each of their missions, become entrenched and fight with one another. So how do these guardrails shift from being just guards of their one mission to working together over time? That's where the paradoxical frames come in, the mindset that says, "We get that these two things conflict with one another, create competing demands, but at the same time we also get that these two things reinforce one another and both have to happen for the success of the organization. That we are better for the fact that our social mission will be reinforced by this business, and we are also better for the fact that our business is bolstered by a social mission."

All the leaders of this organization were on board with this mindset. They called it, "We have to bow before dual gods."

Q: Could you give some specific examples of guardrails?

Smith: What we see in these guardrails are three things: internal leaders, external partners and structures.

In the case of internal leaders, for example, in Digital Divide Data's initial founding team, there were two people who came out of a social work background, and two people that came out of a business background. In their initial set of board members, they explicitly hired people who understood development work in the developing world. So that's part of it, people that have different backgrounds on the board and

as the senior leaders.

They also had external partners that were affiliated either with the social mission or the business, so they had in their early days many nonprofits in Cambodia helping them think about what it meant to hire the most disadvantaged people in Cambodia. But then they also had a partner who was a data entry firm in India. So they work with these different partners with different focuses.

Another one was that, even though Digital Divide Data looked at their overall budget, they also had two different balance statements: one for their social [mission](#) and one for their business. They could really understand the financial drivers that allowed them to be competitive from a business perspective, but also the pieces that they have to fundraise for outside of that competitive piece.

Q: On an individual level, can students or professionals apply this paradoxical mindset when they're dealing with conflicting problems?

Smith: Absolutely. It's a mindset that says, "I recognize that there are tensions, but I also recognize that I don't have to choose between them. I don't have to make a choice and just focus on one. I have to be able to see how I can accommodate both over time." And that's what we talk about as the paradoxical mindset.

Q: What are you most curious about asking next in your research?

Smith: This project really focused on the senior leaders, their decision making and how they navigated these tensions, and one question that leaders keep asking me is, "How do you communicate the complexity of

a paradoxical mindset to other people in the organization?"

I'm now working with an incredible organization in Newfoundland called the Shorefast Foundation to answer that question. Their leader says, "The world is paradoxical, we have to live in it. We have to create this very holistic view in which we bring together the old and the new, and we bring together the local community and the global community." And the question of how you get people to think that way when it's really complex, that's what we've been working on with her. Trying to unpack how she communicates those ideas to a broader community of people.

More information: Wendy K. Smith et al. Bowing before Dual Gods: How Structured Flexibility Sustains Organizational Hybridity, *Administrative Science Quarterly* (2017). [DOI: 10.1177/0001839217750826](https://doi.org/10.1177/0001839217750826)

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