11. From private to public: community institutions, corporate social action, and sustainable economic development

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Despite decades of economic development aid to emerging economies and the hard work of multilateral organizations such as the World Bank and the African Development Bank, many communities throughout the world remain in poverty. We focus on these communities and the frequent failure of top-down interventions emanating from the public sector to spur development of these communities, which we interpret to suggest the need for private action to spur community economic development. To illustrate our point, we discuss two examples from the Middle East that demonstrate the contrast between top-down partnerships led by the public sector and bottom-up partnerships initiated by private actions. We suggest that a specific form of private action, corporate social action (CSA), may represent a good approach and suggest some ways that it can be more effective in triggering sustainable economic development in previously marginalized communities.

To frame our recommendations, we apply a perspective based on social institutions at the community level, suggesting three categories of institutions that should be the focus of private efforts: cultural cognitive, social normative, and regulative institutions. We base our analysis on examples of how change to these categories of institutions has spurred the development of specific communities. Further, we suggest that the analysis of how private action can succeed in developing communities should start with cultural cognitive institutions, which constitute the cultural and mental architecture of the community. We make two specific recommendations for how private action can be more effective in changing ideas to spur economic development. First, we suggest that increasing the number of private sector and community leaders involved in the economic development initiative. Second, we advocate that private actors maximize the diversity and quality of participation in this community change process.
Having changed ideas by addressing cognitive cultural institutions, we suggest that private actors focus next on the interaction architecture of the community to sustain and replicate the change in the mental architecture. Specifically, we focus on social normative institutions and make two suggestions for how private actors can be more effective at changing these to spur sustainable economic development. First, we advise that advocates of change create of formal structures and programs to augment interaction in the community. Second, we urge the creation of education and development programs to develop leaders in the community to create a capability for replication of the social changes that spur economic development.

Before turning our attention to regulative institutions, that is reform of the public sector, we observe that the traditional weakness of the civil and public sectors in many emerging economies suggests a caution. It may be necessary to sustain an iterative cycle of change to the mental and social architecture to create the necessary leverage that will allow civil society to initiate change by the public sector. In essence, our claim is that weakness of the public sector may require that the civil sector build greater capabilities and develop a clearer vision of what is needed from public authorities before attempting to change regulative institutions. Indeed, even after this capability has been developed, we suggest beginning with the only the modest goal of mobilizing state actors to provide the public services that are generally regarded as its province. From here, the next step is to try to leverage building the capacity for delivery of these services to enhance the accountability and transparency of state actors. We close our analysis with the suggestion that partnerships led by the private sector to trigger sustainable development in impoverished communities may be possible even where the public sector and multilateral organizations cannot function as effective sponsors.

**INTRODUCTION**

Attention to the role of private sector actors in fostering and nurturing economic development in emerging economies has increased rapidly in recent years. As Forstater et al. (2010, p. 6) noted, ‘foreign direct investment far outstrips development aid in many countries’. Behind this trend are many factors. The literature of corporate social responsibility has continued to increase, compounding a trend of the last few decades (Smith, 2003; Vogel, 2005; Smith and Ward, 2007). This has accelerated in the wake of recent corporate scandals that have challenged the legitimacy of private firms. Wang et al. (2008, p. 143) summarized this well: ‘In recent years, business corporations have devoted substantial resources to
promoting social welfare and improving stakeholder relationships'. In the wake of the financial crisis of 2008, growth has slowed in the developed economies, but remained much faster in emerging economies. As multinational firms have sought opportunities in these economies, they have encountered complex stakeholder networks and felt increased pressure to demonstrate good corporate citizenship (Vachani and Smith, 2008). Taken together these trends suggest that private actors are increasingly involved in activities that create public rather than private goods; Rangan et al. (2006) described this trend in their elaboration of the concept of constructive partnerships.

The focus of much of this literature remained at a fairly high level of analysis, analyzing regional, national and even global trends. For many years, multilateral organizations, such as the World Bank or the United Nations and giant multinational firms figured large in accounts of how private actors contributed to economic development. However this is changing; Scherer and Palazzo (2007, p. 1114) discussed how this has happened in the field of political science: ‘Rather than focusing on state actors and such international institutions as the UN, ILO, and WTO alone, political scientists have now acknowledged the role that private business firms play in global governance’. At the same time, an emerging literature of social entrepreneurship (Thompson et al., 2000; Austin et al., 2006; Mair and Martí, 2006; Light, 2008; Santos, 2009) has fostered a much broader conception of the increasing role of private actors in catalyzing, nurturing and sustaining social and economic development (Bansal, 2002, 2005; Lubin and Esty, 2010). Analyses focusing on private action to spur economic development in smaller regional areas and even communities have emerged and highlighted some fundamentally local aspects of private action to spur economic development (Ring et al., 2010). Summarizing recent literature, Labao and Kraybill (2009, p. 419) claimed that researchers routinely ‘argue that local efforts and place-based policy are important for poverty alleviation’. In our study, we take as our starting point this recent focus on private action at the community level as key to economic development.

While distinctions among definitions of private action to create public good can be meaningful and even controversial (Edward and Willmott, 2008; Palazzo and Scherer, 2008), we do not engage those distinctions in this study. Because we are interested in how varieties of private action may affect the institutional environment for economic development at the community level, we shall not focus on distinctions among them that might be important with respect to other issues. Instead, we shall adopt the very broad definition offered by Marquis et al. (2007, p. 926) and focus on corporate social action, which they define ‘as behaviors and practices
that extend beyond immediate profit maximization goals and are intended to increase social benefits or mitigate social problems for constituencies external to the firm'. Despite focusing our attention on beneficial corporate action, we do not wish to offer a naive view of corporate behavior. We fully understand that firms may act in ways that do social damage and create or exacerbate social problems rather than alleviate them (Strike et al., 2006). Indeed, one could even make the case that the need to address institutional deficits at the community level on which we focus in this chapter is, at least in part, the result of corporate actions. Nonetheless, we do not believe that this caveat in any way affects the logic or value of our analysis of CSA to bolster the community-level institutions that support economic development. Despite taking a kinder, gentler view of corporate action than would be suggested by the sobering cases explored by Barley (2007, p. 214), our analysis is consistent with his suggestion for greater attention 'to how organizations alter and even create their environments, especially institutional sectors'.

Rangan et al. (2006, p. 741) argued that ‘private actors will tend to be reluctant to participate in economic transactions in which expected public benefits far exceed expected private benefits, especially if the latter are not expected to exceed private costs’. We offer a different claim based on the literatures of corporate social responsibility, social entrepreneurship, value creation (Santos, 2009) and public–private partnerships (Hammami et al., & Yehoue, 2006; Shediac et al., 2008). Specifically, we argue that these are situations where CSA to build local institutions can create both public and private good by spurring economic development, and this is the focus of our analysis. These literatures offer us scope to broaden the objectives of private actors, such as firms, beyond the narrow pursuit of short-term private benefit, for example, profit. Why might private actors such as firms be more interested in pursuing public interests? Pressures for greater corporate social responsibility have left firms accountable for both the negative externalities of their own activities as well as for broader social impact of their activities. This creates pressure for firms to demonstrate that they are acting to produce public benefits, which enjoy greater prima facie legitimacy than pursuing purely private benefits (Rangan et al., 2006). In short, we believe that there is now a greater tendency to view firms as operating for the benefit of stakeholders and not merely for the benefit of shareholders (Esty, 2007; Orts and Strudler, 2009). However, bringing in social entrepreneurship and the concept of value creation recognizes that private benefits remain the core objective for firms. To ensure that firms engage in activities to create public benefit in the long term and not just the short term, the motivations of successful social entrepreneurship and the creation of value from these activities becomes important. As
Ghandour (2009, p. 43) argued, there has been a transformation in the role of private sector in development, ‘from one that relies on financial generosity to one that cultivates activism and engagement’.

This insight also suggests a rethinking of the relationship between the public and private sectors. Rangan et al. (2006) suggested a specific rethinking of this relationship in developing the concept of creative partnerships, which we adopt here, but with a crucial difference. While their object was to examine the economic conditions under which creative partnerships would be most efficient and effective, our focus is on institutions at the community level. Specifically, we are interested in exploring the institutional capabilities that must be developed and deployed at the community level to initiate and sustain these creative partnerships. The important insights from the constructive partnerships model for our arguments revolve around focusing on benefits and not exclusively on costs. In particular, these partnerships may be crucially important in situations where there is considerable potential for the creation of public benefits and positive externalities. However as Rangan et al. (p. 744) clarify, their characterization of creative partnerships ‘holds only where suitable private and public actors exist’. This argument along with all the frameworks for public–private partnerships that emphasize constructs like the readiness of the public sector presume there is little to be done when private and public actors do not have requisite resources and capabilities. The idea that necessary public and private goods will simply not be provided in these cases is not a very satisfactory answer, particularly when the failure to deliver them may trap people in poverty and even threaten their lives. Our claim is that a focus on how the local institutional environment facilitates links and partnerships is one way to address the gaps that may prevent action (Marquis et al., 2007; Ring et al., 2010).

Rangan et al. (2006, p. 744) argued that when ‘private actors perceive the capability or credibility of potential public partners as inadequate, they will tend to shy away from the economic opportunity’. They continue by discussing how this offers an opportunity for the involvement of multilateral actors such as the United Nations or the World Bank. While we agree, we also want to highlight another possibility: that by defining the opportunity as social entrepreneurship, a demonstration of corporate social responsibility and a chance to create enduring value, possibilities for private action can be reframed. Actors now can share the challenge of how to proceed in the absence of capable and ready public partners; we suggest that collective effort can develop the institutional and even legal context to facilitate action (Marquis et al., 2007). In this way, private actors can lead efforts to provide needed services even in the absence of compelling state authority or sponsorship by a multilateral organization. The central
point of our argument is to try to understand the conditions under which private action at the community level can help to mobilize private and public actors (Burke et al., 1986) to deliver public goods. Our focus will be on how the institutional context at the community level must be transformed to help overcome the coordination, monitoring and enforcement challenges that hamper CSA to enhance economic development.

We shall instantiate our theoretical arguments with discussion of cases and developments from partnerships in emerging economies. Therefore, we shall begin with two cases, both from the Middle East, as illustrating the ends of a continuum from traditional to non-traditional approaches to partnership. The first is a public–private partnership to build a key piece of infrastructure: a facility to generate electricity from renewable energy in the United Arab Emirates. The second is a constructive partnership to develop an economically deprived community in Amman, Jordan. In referring to these cases, as well as others that we discuss, our point is not to present data. Rather our intent is to illustrate how shifts in the institutional context may make private leadership of constructive partnerships more or less possible. Specifically, we argue that actions by private actors to shift the institutional context of specific communities will affect the ability of constructive partnerships to create value, public goods and private goods. In making this argument, our focus on the Middle East is not coincidental; we have chosen this region because it illustrates a range of conditions representative of the emerging economies. These include sharp contrasts of wealth, including wealth based on natural resources and poverty, weak institutions of government and civil society, rapid urbanization and related pressures on natural resources and massive migrations of people across relatively undeveloped labor markets. Thus, we believe that despite drawing heavily on examples from one region, the mechanisms that we shall reveal will have broad applicability.

We proceed as follows. First, we shall briefly sketch the stories of the two archetypical partnerships to conclude that a well-financed, publicly directed partnership operating under strict public guidelines and based on formal contracts is not the only way to harness private actors to pursue public ends. Indeed, we interpret the second story of partnership to suggest that corporate-led constructive partnerships can fill the void to supply critical needs when public leadership and money are not available. This leads us to the central question of our analysis: how can we understand and facilitate CSA to create constructive partnerships when they would otherwise not occur? Following Marquis et al. (2007), we answer this question from a perspective that emphasizes the local institutional context and how it creates pressures for isomorphism in a community that spur CSA to address problems. We begin our institutional analysis by
explaining the context of communities where state actors are particularly weak and public goods must be pursued through private initiatives. In these contexts, we begin by discussing how CSA can alter local manifestations of cultural cognitive institutional forces in ways that legitimate private actions to address unresolved social problems (Howard-Grenville and Hoffman, 2003; Hoffman and Henn, 2008). The next step in our logic is to discuss how social normative forces can be altered by creating connections among relevant actors and building institutional infrastructure. The final step is to discuss how the regulative environment can be shifted to strengthen the capacity of the public sector so that it can support the continuation of constructive partnerships to address social ills. We close by suggesting some implications of our study for theories of CSA and advocates for private action to address social issues.

A TALE OF TWO PARTNERSHIPS

When construction is completed, Shams 1 will encompass the largest single field of mirrors to create concentrated solar power plant in the world, with a capacity on the order of 100 million watts. The plant, which will cost in the neighborhood of $600 million, was initiated by the government of Abu Dhabi in the United Arab Emirates as part of its a plan to ensure that at least 7 percent of total production of electricity is provided by renewable energy. It is organized as a fairly typical public private partnership for infrastructure (Hammami et al., 2006) with a government-controlled entity, Mubadala, assigning the contract to build, own and operate the plant on a concession basis to a partnership in which its wholly owned subsidiary Masdar will participate. The venture required multiple idiosyncratic legal changes, was organized by formal contract and partners were found with the help of contracted technical consultants through a long process of requests for proposals and negotiations.

Ruwwad, in nearby Jordan, is a small-scale partnership among private and public actors, initiated by the private sector, focused on developing an impoverished community in East Amman. By 2005, when Ruwwad was founded, the community had been marginalized for nearly half a century, largely because institutional difficulties hampered development. Indeed, the absence of almost all basic services from the community, Jabal Al-Nathif, arose, at least in part, from the fact that the hill where it was located was privately owned rather than a public community. McPhee (2009, p. 3) stated that the fact that the community had been founded on private land ‘precluded the United Nations Relief and Works Agency from providing assistance and gave the government a reason not to’. The
inhabitants of the hill were not recognized and neither the Jordanian government nor relevant agencies provided services. Action to help the community was hampered by an additional institutional difficulty: the lack of a legal framework for development partnerships and social entrepreneurship. Indeed, Abdou et al. (2010, p. 51) stated that one of the most pressing policy issues in the region is the need for ‘legal structures in the Middle East that are more conducive for social investment’. In 2005, a group of Jordanian businesspeople worked with one another and the residents of Jabal Al-Nathif to develop a plan for action in the face of these institutional difficulties. The founder of the partnership, Ghandour (2009, p. 44) recounted the innovation as follows: ‘The model, which was conceived by a group of Jordanian entrepreneurs, puts the entrepreneurial spirit at the heart of development’.

What can be learned about the possibilities for CSA from the story of these two partnerships? The first is a fairly typical public–private partnership for the construction of a major piece of infrastructure: a large electricity generation plant (Hammami et al., 2006). A government actor, in this case Mubadala, took the lead based on existing precedents in the regulative institutional environment (Scott, 2001) and then enacted necessary changes to the legal environment (Edelman, 1990, 1992; Short and Toffel, 2010) as required to proceed with the partnership. With respect to the social normative institutional environment (Scott, 2001), Mubadala acted to create any necessary organizational infrastructure: this included Masdar, an entity for all renewable energy projects in Abu Dhabi, Terrosol, a joint venture specifically for alternative energy projects like Shams 1 and agreements with the utility authority in Abu Dhabi to purchase electricity from Shams 1 at a price that made the project viable. This top-down change to the institutional environment is similar to the fast cycle of legal change discussed by Abzug and Mezias (1993). A capable, well-established actor with the power to impose changes in the legal environment takes the lead and ensures that the regulative institutions required for action are mobilized or created. This actor seeks partners and creates the connections required to ensure that the organizational infrastructure for the desired infrastructure project occur. This infrastructure conforms to well-understood social normative categories (Scott, 2001) such as the contract type – ‘build, own, operate, and transfer’, and the type of project, large-scale energy infrastructure (Hammami et al., 2006). In terms of cultural cognitive institutions, the top-down partnership conjures shared understandings about the appropriate role of the public and private sectors by emphasizing state initiative to create a public good and private action to supply needed expertise, both technical and administrative (Rangan et al., 2006; Shediac et al., 2008).
The second partnership, Ruwwad, illustrates a very different configuration of institutions at the community level; indeed, it is the one on which we shall focus in the remainder of this chapter. As Abdou et al. (2010, p. 3) have observed, the Middle East is a region where CSA to create sustainable economic development confronts ‘policymaking and governance related challenges, the need for greater institutional, operational, and financial support, and the lack of social and cultural awareness’. In many cases, the regulative institutions fail to support or even hamper private actions to enhance economic development. In the case of Ruwwad, the organization was forced to develop a unique organizational form because the existing legal categories of organizations would not have allowed it to accomplish the intentions of its founders (Ghandour, 2008). At the community level, social normative institutions (Scott, 2001; Marquis et al., 2007) did not provide either the necessary connections among existing organizations or a suitable organizational infrastructure to allow CSA to address the development problems facing the Jabal Al-Nathif community. Similarly, cultural cognitive institutions at the community level (Scott, 2001; Marquis et al., 2007) did not provide shared frames of reference, ideology, identity, or values that would have facilitated concerted action to address the problems of the community. Indeed, private actors had to begin by creating appropriate cultural cognitive categories among firms and within the community to make action possible. The existing shared frames of reference were based on a dependency mentality and expectations that public actors would provide needed services. Cultural cognitive categories emphasizing the efficacy of community action had to be created to facilitate the capability for corporate and community actors to work together. With these categories in place, the ability to develop appropriate social normative institutional factors was enhanced; indeed, the Ruwwad organization itself was the key social normative factor that made CSA in conjunction with community possible. Finally, with enhanced cultural cognitive and social normative institutional processes in place, it became possible for the unified action of corporate and community actors to bring pressure on public actors so that the regulative environment also was more supportive of sustained economic development in the community.

In the remainder of the chapter, we shall focus on the sequence of actions to shift and alter the institutional environment in a particular sequence as illustrated by the case of Ruwwad. We shall develop theoretical propositions about how the cultural cognitive, social normative and regulative institutional environments at the community level can be altered. The theoretical focus will be on the role of private action in initiating the changes to the institutional environment that provide more effective support for CSA to initiate a cycle of sustained economic development.
COMMUNITY-LEVEL INSTITUTIONAL ENVIRONMENTS AND CORPORATE SOCIAL ACTION

Throughout the Middle East and in many emerging economies globally, government and multilateral organizations have dominated the economic development agenda, often to the exclusion of private and civil society actors. Recently, however, fiscal pressures and the sheer size of some of the environmental and demographic challenges have forced a change. It has become increasingly clear that economic diversification and sustainable growth will require the private sector to play a more prominent role in development and the provision of social services (Atalla and Samman, 2009; Abdou et al., 2010). At the same time, a theoretical framework for understanding how the past dominance of public actors may have affected the capacity for action of private actors has been lacking.

We shall address this gap in the literature by suggesting the utility of an institutional approach to the issue that emphasizes CSA. Thereby, we follow Marquis et al. (2007, p. 926) in two important respects. First, we follow them in focusing on actions by firms that do not have immediate profit as their goal and are pro-social in nature, which we call ‘corporate social action’. Further, we presume that institutional processes and standards of appropriateness regarding the nature and level of CSA are highly localized; thus we focus on what Barman (2007, p. 1448) described as the ‘dynamics and interactions of the local organizational field’. Combining these ideas, we situate CSA within the context of local communities by focusing on three aspects of the institutional environment: cultural cognitive, social normative and regulative institutions (Scott, 2001; Marquis et al., 2007). In the face of a weak public sector and a lack of the formal organizational infrastructure of civil society, we argue that developing the capacity for CSA to spur sustainable economic development requires actions to enhance institutions. We depict this process in Figure 11.1, which illustrates the basic ideas we develop in the subsequent sections. Effective institution building requires beginning with changing cultural cognitive institutions. This should be followed by the changes to the social normative institutions that come with building new structures and organizations. The cycle can then proceed to efforts to reform regulative institutions to sustain and diffuse changes that have developed in the local community context.

Developing Cultural and Cognitive Institutions

We begin with cultural and cognitive institutions at the community level based on a straightforward conceptual claim. Absent significant
development of locally shared frames of reference and community ideology, identity and values, the cycle depicted in Figure 11.1, triggering CSA to create sustainable economic development, is unlikely to occur. Given the necessity of mobilizing multiple private firms and diffuse actors in particular communities, the need to alter locally shared frames of reference is particularly critical. We agree with the recommendation of Abdou et al. (2010, p. 6) that efforts should focus on creating ‘an inclusive environment and sound governance for private initiatives that are promoting macroeconomic growth, job creation, and social impact’. We discuss two important mechanisms for enhancing the likelihood that this will happen: encouragement of socially responsible leaders in the private sector and the inclusiveness and diversity of the process for developing shared frames of reference and community ideology, identity and values.

Leaders from the private sector can be particularly important actors in initiating the cycle of change to local institutions that can enhance CSA to help communities develop socially and economically. This is empirically important, as demonstrated by popular press coverage. A recent Financial Times article\(^2\) made the following observation: ‘One of the fastest-growing trends, say experts, is in family-owned businesses setting up foundations, a move driven by the elderly founders who might be thinking about their legacy as they hand over to a second generation’. Yet, the increasing frequency of the behaviors would hardly matter without some mechanisms for making the leader actions impactful. As Abdou et al., (2010, p. 50) observed, these socially responsible corporate leaders can be ‘important role models for young social entrepreneurs’ and ‘major
players in promoting a fair and competitive environment for social enterprise development and growth'. The implication is clear: better-quality leaders who demonstrate the social capabilities enumerated by Dacin et al. (2010, p. 46), that is, discursive skills, framing, negotiating, networking and alliance building, will enhance change to cultural, cognitive institutions (Lounsbury and Glynn, 2001). By December 2010, barely five years after its founding, Ruwwad held its twenty-eighth session on leadership and community. Not only do such meetings leave the participants ready to go forth in leadership roles ‘enthusiastic and eager to bring change to their respective communities’, they also create a forum for enhancing the degree to which key participations share beliefs, ideas and information.

Proposition 1: The number of private sector and community leaders actively involved in corporate social action will enhance the development of cultural, cognitive institutions.

The diversity and quality of participation in the process of building the cultural and cognitive institutions to support CSA for community development is also critical. Among the other actors to be included are local experts, public sector constituencies, non-governmental organizations (NGOs), citizens and communities. In addition to possessing an intrinsically profound understanding of the local culture, these different local stakeholders would possess the various pieces of the local knowledge and resources needed to transform local understandings of what is possible and how to do it. In contrast to the imposed, unidirectional, top-down information flows that characterize many current initiatives to develop communities, for example, Shams 1, the inclusion of this diverse set of local stakeholders will transform local cultural cognitive institutions, infusing them with dynamism. The creation of highly participatory processes of co-design, co-creation and co-implementation speeds not only the creation of agreement about new frames of reference, but also the diffusion of these new models within the broader community.

Being foreign to Jabal Al-Nathif’s community and clearly coming from West Amman, the sudden appearance of the participants in Ruwwad in Jabal Al-Nathif and their keen interest in the community raised many suspicions of their ‘true’ intentions among almost all constituencies of the community. The Islamists in particular perceived Ruwwad as a threat since they feared that in return for work in the community the organization would seek power by competing with them for votes in the parliamentary elections. Hence, Ruwwad needed first and foremost to prove to the various constituencies of the community its goodwill and that its intentions, far from being exploitative or manipulative, are purely
philanthropic and focused on equipping them and their community with the tools that would improve the quality of their lives. This was a crucial step in gaining legitimacy and the community’s trust needed to heighten the constituencies’ receptiveness to engage in and support efforts towards sustainable economic development. The initiation of a continuous, inclusive dialogue with Jabal Al-Nathif’s various constituencies, including its community leaders, Islamic and other NGOs, schools and inhabitants was a crucial ingredient in Ruwwad’s success.

In their discussion of factors that enhanced entrepreneurial success in rural American communities, Ring et al. (2010) argued for the importance of similar factors, suggesting that depersonalizing politics and focusing on processes would enhance the permeability and inclusiveness of local networks. This is a first instance where an emphasis on value creation rather than value capture may be particularly important to success. There are two key challenges when private actors, including social entrepreneurs (Santos, 2009), try to start a cycle of value creation, attracting the participation of a broad community of contributors and then sustaining their participation over time. As difficult as overcoming the first challenge to jumpstart a cycle of value creation in a community might be, the second challenge may be even greater. As Chesbrough and Appleyard (2007, p. 68) observed, if some ‘portion of the community begins to believe that the agenda is being hijacked . . . these contributors will take their ideas and contributions elsewhere’. It takes hard work to sustain the active participation of local constituencies, and private actors must take care that their efforts are seen as empowering a broad set of decision makers and building their human capital and capabilities. In addition to sustaining the crucial value creation process, this active participation by a diverse group of participants improves the process of identifying development needs: cooperation in the process of generating ideas, achieving consensus and understanding the implications of new shared frames of reference increases the likelihood that they will be relevant, effective and sustainable. Thus, a critical first step towards changing local cultural and cognitive institutions is to increase local constituency participation within private sector-led development initiatives.

**Proposition 2:** The diversity and quality of participation in the process of value mobilization will enhance cultural cognitive institutions.

**Developing Social Normative Institutions**

Having initiated the process of legitimating CSA in a community by enhancing the cultural cognitive underpinnings, the challenge of
sustaining this momentum moves to the social normative domain. As with the prior arguments, this is again an area where value creation, particularly a focus on structures to sustain community involvement, becomes particularly important. In their discussion of how ecosystems can be created through open coordination, Chesbrough and Appleyard (ibid., p. 63) summarized the issues succinctly: ‘Advancing the ecosystem similarly requires community investment in creating new knowledge and exploring alternative architectures to connect the disparate elements of that knowledge together in cohesive ways’. Although they were discussing ecosystems to create new product markets, the parallel to coordinated action to change social normative institutions is strong: new architecture is needed to formalize the consensus of a community to act together to enhance the social good. Abdou et al. (2010, p. 6) suggest: ‘private businesses and corporations would forge stronger connections with the social sector, moving beyond ad hoc partnerships and traditional charitable activities’.

Ruwwad, of course, provides one example of how to move beyond ad hoc partnerships to more sustained structures to govern collective effort. Ghandour (2009, p. 44) described one of the key ways that the initial dialog was formalized as the organization moved beyond setting the cultural cognitive stage for its efforts: a two-hour weekly debate and discussion session, which he described as ‘the soul of Ruwwad’, was established. Here young people were empowered and given a safe forum to talk about their fears, hopes and dreams as well as learn the tools and methods to tackle them. Abraaj Capital has established formal guidelines called the Ethical Framework for Investment to ensure that its partner companies engage in appropriate levels of CSA; it has also developed a due diligence template that it uses to evaluate potential partners. The Sakhrah Women’s Society Cooperative in Jordan, founded by Zeinab Al-Momani, organized the region’s first farmers’ union for poor marginalized women and empowered them to become active members of their community.4 The World Bank (2010, p. 319) in its analysis of successful policies to spur growth urges the creation of platforms for dialogue and networking between firms and other stakeholders. Examples include the construction of meeting spaces, support to institutions for collaboration and the encouragement of networking in a broad sense, including firms but also institutions. All of these examples demonstrate a common theme: sustaining CSA through the creation of formal policies or entities in the social normative environment.

Proposition 3: Creation of formal structures and programs to augment interaction in the community will enhance social normative institutions.
Efforts to develop the formal infrastructure of social normative institutions should be complemented by efforts to develop the human infrastructure. We discuss the human infrastructure of CSA in terms of two types of activities: education and development programs. One of the original programs to be developed at Ruwwad was the Mousab Khorma Youth Education Fund, which awarded scholarships to students from Jabal al-Nathif. In addition to providing the scholarships, the program also provides internship opportunities, vocational training program, IT, English and workplace skills, employment opportunities upon graduation, support for the purpose of starting their own business, developing a social entrepreneurship project or pursuing an artistic or creative ability, and opportunities for volunteer work. Importantly, the program increases its impact by going beyond offering opportunities for volunteer work: it requires four hours per week of volunteer work in Ruwwad sponsored social programs from all scholarship recipients. This requirement guarantees that the investment in the scholarship students has the potential to benefit the broader community with their involvement in volunteer work.

In addition to the scholarships that allow local students to attend university programs, Ruwwad also offers its own programs. The youth enrichment program, which was the first offered, included basic finance and business, elementary training in communication skills, English enrichment and digital literacy. The youngest learners were involved in modules that use children’s literature as a medium for learning. Subsequently, Ruwwad introduced a business skills course, covering topics such as appreciative inquiry and leadership, communication skills, project management and entrepreneurship. It is conducted twice a year with volunteer trainers from the private sector in partnership with two leading private sector firms. These formal programs are supplemented by a yearly calendar of key activities, including Dardashat Cultural Program sessions every Saturday.

The long-term orientation of the human development efforts is made explicit with the investment in families. Examples abound; issues of parenting are addressed in monthly Parenting Education Circles. More than 70 children each day come for library programs that include individual and storytelling groups. An open space for free expression using the medium of art is available daily for local children. School support and outreach programs teach 450 children in local primary schools, providing additional programs in creative arts, sports and child literature on a weekly basis. Up to one hundred children a year receive tutoring from youth volunteers to support their academic growth. Programs to supplement primary education are also offered at the annual Summer School for hundreds of neighborhood children between the ages of four and ten. This variety of
educational and development programs helps Ruwwad ensure that the human capital needed to staff its institutional infrastructure is available.

**Proposition 4: Education and development programs to create a capability for self-replication will enhance social normative institutions.**

**Developing Regulative Institutions**

When Ruwwad was founded to aid the residents of Jabal Al-Nathif, unemployment was 50 percent higher than the national average of Jordan. In addition, the community suffered from huge budgetary constraints and was in desperate need of basic infrastructure. There was no police station, health center, or library; there were no recreation areas for children or any public parks or gardens. By working with its stakeholders and engaging in consistent lobbying efforts with local government, Ruwwad successfully brought most of these missing basic services to the community. This was instrumental in gaining the legitimacy and trust that Ruwwad needed to lead sustainable economic development. Perhaps most importantly, once public sector authorities have provided services in previously deprived communities, their attention is mobilized. Not only are they likely to continue to provide those services in the future, they can also be enlisted as engaged partners so as to enhance the future provision of public services more generally (Ghandour, 2008, p. 25).

Leveraging success in representing community interests to public sector actors is not unique to Ruwwad; many corporate social actors are reaching out to government agencies to have a wide-reaching impact. For example, Egyptian social entrepreneur and Ashoka Fellow Essam Ghoneim has trained hundreds of nutritionists for employment in public schools. He has also collaborated with the governor of Alexandria and the ministries of education and social solidarity to improve food programs in 50 primary schools (Abdou et al., 2010, p. 30). Samy Gamil, another Ashoka Fellow in Egypt, is engaging several government ministries in his efforts to improve prospects for the hearing impaired by equipping them with information technology skills. Due to his advocacy efforts with the Ministry of Defense, the Egyptian military now accepts the hearing impaired in its technology courses. The Egyptian Education Initiative, launched in 2006, unites private sector actors and the Government of Egypt to reform the country’s education system. Focused on applying information technology to reform education, the partnership at the end of 2007 included multinationals such as IBM, Intel, Siemens and Cisco, nearly 30 local companies and public sector educational authorities throughout Egypt (Petkoski et al., 2009, p. 19). All of these efforts suggest the potential for constructive
partnerships between private and public authorities to enhance the capabilities of state actors and improve the regulative institutional context for CSA.

Proposition 5: Mobilization of state actors to provide required public services will enhance regulative institutions.

As Tilly (1990, p. 122) observed, state formation in many of emerging economies has not been accompanied by political accountability or transparency. Indeed, the implicit agreement that there would be no taxation and no representation has been an important part of why the state has continued to be sole provider of essential services. As Schwarz (2008, p. 607) observed, this rentier state model requires that ‘both sides adhere to an implicit social contract between state and society, through which political rights are substituted for state-provided welfare’. As the state has failed to provide, retreated, or tried to retreat from providing public services, however, the deficit has not been adequately addressed, which is the essential focus of our analysis. In those cases, like Ruwwad, where communities have been lucky enough to enter the virtuous cycle of creating the institutional context for CSA to enhance community economic development, some services start to be provided. For example, Al Jisr in Morocco is a private sector organization founded by Mhammed Abbad Andaloussi that works in partnership with the Ministry of Education (among many others) to improve education. As a result, the Ministry has become an increasingly active partner in creative positive change. They have sponsored conferences, organized regular meetings with various stakeholders, allowed employees of the Ministry to become board members of Al Jisr, and appointed Andaloussi to the public sector council that oversees national curriculum.¹⁰

As this example suggests, the cycle of institutional change we have outlined cannot become truly self-sustaining unless there is reform of the public sector. The opposition and tension where private actors identify and criticize existing public sector failure and weaknesses must be replaced by a new institutional context where the public and private sectors can take effective collaborative action. This collaborative action must eventually help to trigger serious and necessary reform of the state so that there is more accountability and transparency in the public sector. CSA will be most powerful where state actors create and enforce appropriate regulatory frameworks, reward successful CSA with recognition, procurement and partnership and develop and support the broader ecosystem to clarify the role of private actors in sustainable economic development. Despite some successes in this direction, Abdou et al. (2010, p. 26) note that there
remains ‘a general lack of trust in government among citizens and corruption is perceived as being extensive’. Ultimately, the cycle of institutional change that we have outlined will be most powerful when it ends with powerful bottom-up pressures to reform the public sector that achieve significant success.

Proposition 6: Enhanced accountability and transparency of state actors will strengthen regulative institutions.

DISCUSSION AND CONCLUSIONS

We have outlined an institutional model for analyzing how private action can initiate a process of community economic development. In theoretical terms, this is important because it extends analytic frameworks beyond the contexts where they were originally developed. Constructive partnerships may indeed be possible even where the public sector and multilateral organizations cannot function as effective sponsors (Rangan et al., 2006). An institutional approach to CSA may be useful even where the existing infrastructure is sparse and the public sector is largely ineffective (Marquis et al., 2007). Indeed, part of the value of our analysis is that economic development will not occur for many of those who need it most desperately unless we can enhance the effects of CSA at the community level. As Ghandour (2009, p. 43) described it: ‘Change will not happen if the development arena remains the preserve of the state. Civil society has to redefine itself to include the private sector as a major pillar of development, and the private sector must step up and define its purpose beyond profit maximization’. Indeed, as our final proposition suggests, we hope that the bottom-up success at the community level can be leveraged to create pressures for change at higher levels of analysis. As recent work on industry self-regulation reveals, however, regulative institutions can change even without actual changes in law or government regulation (Hoffman, 1999; King and Lenox, 2000; Lenox, 2006; Barnett and King, 2008). Additionally, after succeeding in private action to change standards of action, corporate actors may work to have these standards enacted as law (Hoffman, 2007).

Ultimately, our hope is that having a greater understanding of how institutions operate at the community level can contribute in some modest way to the transformation and development of those places that need it most desperately. In theoretical terms, this will require a deeper understanding of the links between community, regional, national and even global institutional environments (Meyer et al., 1997). Indeed, it is part
of a much larger trend that has opened the black box of firms as profit-making entities consider, in the words of Lyon (2009, p. 2) ‘broad issues of management strategy and its adaptation to pressures from the business environment’.

We have delineated our argument in a sequential manner, partially for reasons of conceptual clarity, but also because we believe that it often will be necessary to start with cultural cognitive institutions before moving on to social normative institutions with the ultimate hope of improving the quality and capabilities of public actors. Of course, this is not meant to suggest that all work developing cultural cognitive institutions must be completed before anything can be done to change social normative institutions. The process is likely far more recursive than our simple diagrammatic rendering is intended to convey. Indeed, there may be many positive feedback loops that augment the linear process we have discussed; with some luck, actions to change the extent to which the institutional environment facilitates CSA to support economic development can trigger a virtuous cycle where positive change becomes self-reinforcing. For example, success in creating social normative support for new structures of engagement can create leaders in the process of changing cognitive cultural institutions in ways that support CSA. Hamida (2000, p. 9), discussing women who had participated in new micro-enterprise organizations in Tunisia, observed that several had ‘gained an informal leadership role in their communities thanks to their independence and reputation for seriousness as a result of their micro-enterprise’. Nonetheless, we would argue that the present situations in many communities of the Middle East and other emerging economies do demand that cultural cognitive institutions are likely a good starting point for change.

In practical terms it requires creating the paradigms of development that acknowledge the realities of communities, find solutions and share them in the most effective ways possible. Much of our analysis, intentionally, was grounded in assumptions about the realities of hard-pressed communities in the developing world. Financial resources are stretched or even largely non-existent, and the public sector is looked on with contempt, subservience, or even fear. Ghandour (2009, p. 44) described the situation well: ‘Decades of the state’s smothering embrace have left the private sector weak and eager for the government’s good graces. Even now, when it clearly commands a larger share of the Arab world’s economies, the private sector has yet to contemplate a meaningful presence in the development field’. We believe that change to institutional environments at the community level is the place for this contemplation to start. Importantly, we argue this in light of the limitations of large-scale economic development projects that have become clear in recent decades.
(Rangan et al., 2006). It is an old Arab proverb that a single coincidence can be better than a thousand meetings. In our context, we would argue that creating an effective institutional platform for coincidences of CSA might be more effective for economic development than many planned development projects, especially where financial capital and public sector capability are low. We end our analysis with the hope that our framework can contribute to many happy coincidences.

**IMPLICATIONS FOR SOCIAL ENTREPRENEURS AND PRACTITIONERS**

Having reviewed an institutional approach to spurring private action for community economic development, we close by developing some implications of our framework for the practice of social entrepreneurship and increasing the possibilities for private action such as CSA. First, we advise social entrepreneurs to begin by investigating the shared beliefs, theories in action, roles, and identities that are most relevant to the actions being considered. Taken together, these scripts and models for behavior constitute what we termed ‘cultural cognitive institutions’. Any approach to community change must begin with understanding how ideas must change in order for actions and outcomes to change. More specifically, we suggested some specific mechanisms that practitioners and social entrepreneurs should consider as they begin the hard work of changing minds. Our first suggestion is that such efforts are more likely to succeed if they can increase the number of private sector and community leaders actively involved. Our second suggestion also implicates participation, but broadens the scope to include value mobilization. This recognizes the fact that when trying to change an existing culture, the challenge is not so much producing the values de novo as it is trying to ensure that the right subset of existing values are linked to the effort. This is the sense in which we suggest that the diversity and quality of participation in the process of value mobilization will enhance the likelihood of success of efforts by social entrepreneurs and practitioners.

Having started a process to address the social information that shapes ideas, we next advocated that attention shift to trying to change the content of norms, which link ideas and behaviors. We added to this that social entrepreneurs and practitioners simultaneously consider how norms and social structure interact to create capabilities for sustainable economic and social development. We labeled this class of important factors ‘social normative institutions’ and made two suggestions for how advocates for community change might approach their efforts. The first
important mechanism for change to these community institutions is the creation of formal structures and programs to augment interaction in the community. The second important mechanism is the creation of education and development programs to develop the members of the community. Understanding the interaction of ideas and social structures, what we refer to as ‘cognitive cultural’ and ‘social normative’ institutions, is critical. Changing ideas must precede change to norms and structures; however, the latter are critical if transformed ideas are to be translated into an ongoing capability for change. A new ideology of community economic development will not become sustainable until ideas and social structures reinforce one another in ongoing cycles of replication.

Understanding this is critical not only to the sequence of interventions to change community institutions, it is also important to understanding the readiness of the community to move to the next stage of development. Particularly critical in this regard is when social entrepreneurs and practitioners should turn their attention to public authorities, which we have discussed as ‘regulative institutions’. We have already suggested the recursive nature of the relationship between cognitive cultural and social normative institutions. Following from this, we emphasize here that it is critical that the community and its advocates are certain that ideas, norms, and social structures are in a strong cycle of reinforcement and converging on the need for particular policy actions before approaching actors in the public sector. For example in Jabal Al Nathif, it was only after the neglected community had initiated an ongoing cycle of development that actors leveraged their increasing capabilities to draw attention to the neglect of public services. In Morocco, Aljisr targeted the regulative institutions through bridging the private sector with the public sector to help improve educational services by leveraging the capabilities and connections of private actors. Social entrepreneurs and policy makers need to understand that a thorough and iterative process for the redesign of cognitive cognition and social normative institutions should happen to enhance civil capabilities of the community before approaching public authorities. This enables agreement among civil actors about what they want from these authorities as well as gives them the collective presence to make it more likely that their demands will be met.

Having determined that civil capabilities are now strong enough to warrant approaching the public sector, our framework suggests two areas where social entrepreneurs and practitioners might focus their efforts. The first and most important action is to lobby state actors to provide required public services. Often there will already be a legal framework suggesting that many of these services should already be provided by the public sector. Given the traditionally weak state actors in many emerging economies,
however, what is required by law and what happens in practice with regard to public services can often diverge. The second action can generally be regarded as following from the first: leverage success in initiating delivery of public services to create enhanced accountability and transparency of state actors. Bringing in the public sector completes the process by which private action initiates a virtuous cycle to produce sustainable community economic development by changing ideas, structures, and public action. Our framework suggests that social entrepreneurs and practitioners focus on community institutions to determine where capabilities lie in the community. Local development of the competencies and skills of civil actors can be followed by collective determination of how these skills can be deployed most effectively with the help of public authorities. The hope is that this bottom-up process of economic development can reach areas that have proved inaccessible to decades of top-down efforts led by national governments and multilateral organizations.

NOTES


REFERENCES

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