

Social Enterprise Governance: The Issue of Creating, Managing and Reporting Value

Rudy Suryanto

Universitas Muhammadiyah Yogyakarta (UMY), Indonesia

Abstract: Although there have been many research on social enterprise, little discuss on how social enterprise can success on the long term. This question need to be answered by combining some theory and best practices on managing social enterprise. This paper argues that there is a need to draw a framework to guide on how to create, manage and report the value of social enterprise. We based our work, on the three phases, using Institutional theory, entrepreneurship theory and resource based view theory. The result of our research is a comprehensive framework that might explain why a social enterprise success whiles other not. On the long term, the performance and existence of social enterprise will depend on how the social enterprise confronts the cycle of issues of creating, managing and reporting value. This finding might lead to further enormous empirical research on Social enterprise.

Key words: long term sustainable social enterprise, governance framework, creating value, managing value, reporting value

INTRODUCTION

Social enterprise is gaining attention as a more effective and sustainable solution to tackle complex social problem of poverty, inequality, health, education and environmental issue in may part of the world (Dees & Elias, 1998, Alvord et al, 2004, Mair & Marti, 2006, Battilana & Dorado, 2010, Wry & York, 2017). The effectiveness and sustainable solution of social enterprises rely on their degree of self-sufficiency, innovation and social transformation (Brouard, Hebb, & Madill, 2008). Social enterprise also employs scalable, self-sustainable and innovate business model (Schwab Foundation, 2014). Moreover, the willingness of social enterprise to enter area of business or social mission where government and private sector reluctant of have difficulty to enter is another addition of key strength of social enterprise (Santos, 2012).

Previous researches more focus on personal level of Social Enterprise management and board. Few researches undertake study on the organization level. In the beginning, researcher attracted to study how social entrepreneur come up with the idea and capture value to solve the social problems. Many use institutional theory to understand the external factors and motivation of certain social entrepreneur established social enterprise organization. There are a lot of discussion on how Social Enterprise manages tension between

achieving business goals and sustaining social mission. The available explanation is that social enterprise organization can use negotiation (Battilana et al, 2015), socialization (Battilana & Dorado, 2010), selective integration (Pache & Santos, 2010, 2013), but little discusses on how suitable governance model can tackle the issue.

There is a limited guideline on social enterprise governance. Some Social Enterprise refers to commercial business governance, and some other refers to pure social organization. The lack of governance guidance will lead confusion on social enterprise board and management role and potentially cause conflict among them. The governance model that fit with social enterprise organization also help board and management tackle inherent problem of social enterprise organization, which are managing tension between business objectives and social mission, mission drift and adhere multiple stakeholders expectations.

Social enterprise needs to maintain balance between business objectives and social missions. This situation at least potentially creates two sources of tensions. One source of tension is the tension to maintain such a revenue level and profit to sustains organization, while performing social activities. Second source of tension is to fulfill the expectation of board and owner, while also fulfilling the needs and expectation of wider stakeholder (Defourny & Nyssens, 2014).

Other phenomena that need to be address is mission drift. As social enterprise grows and become successful, there is tendency to more emphasis on the business objectives or social objectives. Management sometimes has different perspective with the founder and board, as management becomes more experience and capable running the organization.

Therefore the problem statement of this research is to identify the issues of social enterprise regarding value creating, management and performance reporting:

- i. To explain the issue on value creating of Social Enterprise .
- ii. To determine the factors determining the competence of Social Enterprise management in managing value
- iii. To explain financial and non financial value reporting of Social Enterprise.

METHODOLOGY

Research Subject: The subjects of the study is literature on social enterprise. This study is done by conducting literature review of social enterprise research and publication during 1990-2018.

Data Collection: The literature on social enterprise is collected trough key words of “social enterprise”, “social entrepreneur”, “social business”, “socio-entrepreneur”.

Procedures: We grouped the literature into three theme which are creating value, managing value and reporting value.

RESULTS

Social enterprise remains a very board concept, often referring to market-oriented economic activities serving social goal (Defourny & Nyssens, 2014). Key characteristics of social enterprise are innovative side of certain type of projects and financial risk they are taking (Young, 2001). Social Enterprise Alliance (SEA) suggest the definition of social enterprise as organizations that address a basic unmet need or solve a social problem through a market-drive approach (SEA, 2017).

The history of social enterprise might be started more than 100 year a go, but it's only widely

recognized in 90's. As an example, Goodwill Industries in 1902 started employing the poor to repair used goods and sold them and used the fund for social cause. The other example of practice of Social Enterprise is Grameen Bank in Bangladesh, Greyston D Light which provides the homeless employment in a bakery.

This concept is still evolving. In the US the issues is getting widely discussed after Harvard Business School launched the “Social Enterprise Initiative” (Defourny & Nyssens, 2014). In Europe this concept also start to rise. Starting from Italia in 1991, with adoption of specific legal form for ‘social co-operatives’, this co-operative established to respond to needs that had been inadequately met, or not met at all, by public services (Borzaga and Santuari 2001). In early 1990, researchers also noticed the existence of initiatives, though of a substantially lesser magnitude, and taking a variety of labels and legal forms, in other European countries (Defourny & Nyssens, 2014). To develop common approach to the study of social enterprise and share development of each country, European Research Network EMES was set up (Borzaga and Defourny 2001). EMES consists of 15 European Countries and start to gather a lot of data and very productive on compiling social enterprise development.

The concept of social enterprise includes a wide spectrum of organizations, from for-profit business engaged in socially beneficial activities (corporate philanthropy) to non-profit organization engaged in mission-supporting commercial activity (Kerlin 2005)

Based on EMES research there is public debate on the social enterprise concept, since the concept may have various meanings. EMES distinguishes between several criteria as follows:

A continuous activity, producing and selling goods and / or services

A high degree of autonomy

A significant level of economic risk

A minimum amount of paid work

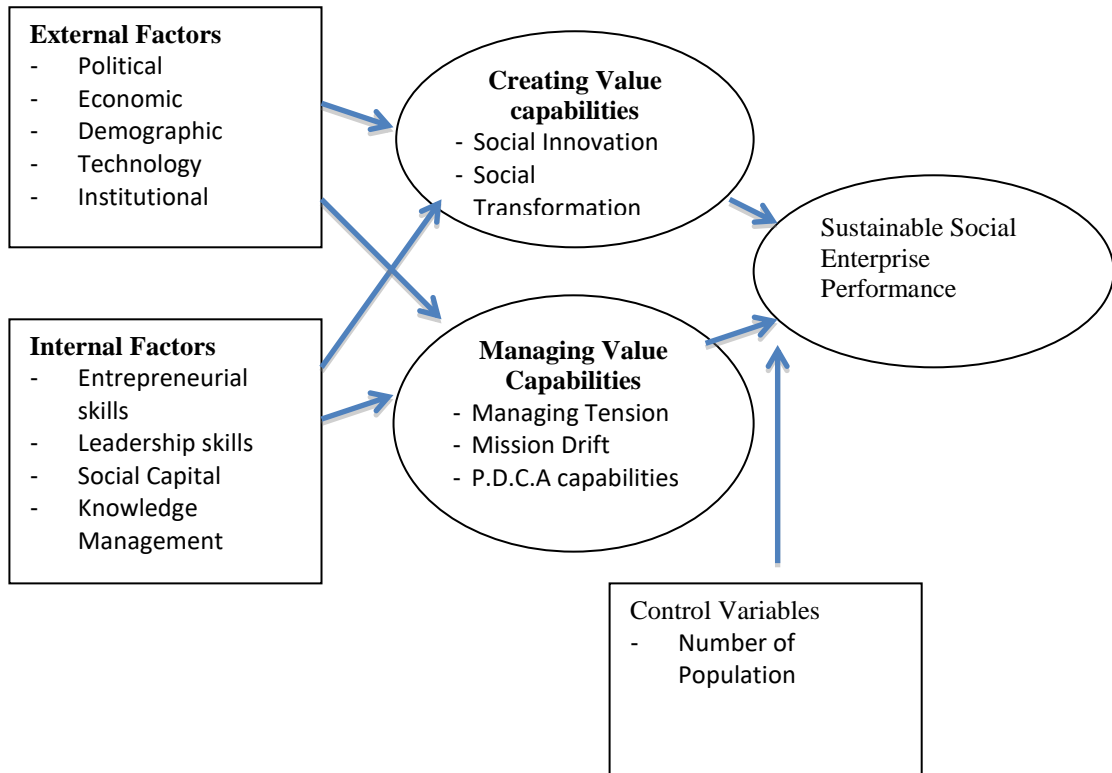
An explicit aim to benefit the community

An initiative launched by a group of citizen

Decision-making power not based on capital ownership

A participatory nature which involves the various parties affected by the activity Limited profit distribution

Figure 1
Conceptual Framework of Successful Social Enterprise



DISCUSSION

How to manage a successful Social Enterprise has been a vital question of social enterprise researcher. There is a need to validate some insightful findings from those researches using empirical evidence. We outline our research based on theory developed by Santos in which differentiate the social enterprise phase into value creation and value capture (Santos, 2012). We also used the identity theory of social enterprise developed by York and Wry, which stated that the actor involved in formulation and management of social enterprise might change their salience identity from commercial-only minded, social-only minded, mixed commercial-social to balanced entrepreneur. The two research are conceptual research which give insight on what,

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how and why a social enterprise might success in long term. The other research finding that need to be will be used to form the framework of this research is research done by Battilana & Dorado that stated the successful of social enterprise will rely on how the organization manage their human resource (Battilana & Dorado, 2010).

We use institutional theory to help us understand how external context shaping the process of social enterprise institutionalisation.

LIMITATIONS OF THE STUDY

This study need to be broaden to research database available. Due to time constraint this paper does not cover all of research database.

CONCLUSION

This paper argue that to successfully manage the social enterprise there is a need

correct value creating, managing tension and maintaining public trust by timely and accurately report financial and non financial reporting.

Lastly, social enterprise must adhere multiple stakeholders. To satisfy stakeholder expectations, management must maintain transparency and accountability on financial and non-financial performance. This effort is important to maintain stakeholder trust and support.

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