Strategic CSR – A Way to Create Societal Value for Social Enterprises

Omarsha Easy
Ratchadaporn Thanathavornlap

Master Programme Leadership for Sustainability
Master in Leadership and Organisation
Supervisor: Jean-Charles Languilaire

Spring 2013
Strategic CSR – A Way to Create Societal Value for Social Enterprises

Omarsha Easy
Ratchadaporn Thanathavornlap

Supervisor: Jean-Charles Languilaire

Master Thesis in Organisation and Leadership
Master thesis completed in the programme “Leadership for Sustainability”
Examination 1201 in courses OL646E

Spring 2013
Strategic CSR – A Way to Create Societal Value for Social Enterprises

Type of assignment
Master Thesis in Organisation and Leadership
Examination 1201 in OL646E

Date of submission
Spring 2013

Names
Omarsha Easy, 19810112
Ratchadaporn Thanathavornlap, 19830117

Supervisor
Jean-Charles Languilaire
Abstract

This is a conceptual paper that study through literature review how strategic CSR could create societal value in social enterprise. The study reviews literature on CSR Pyramid, Triple Bottom and show the intricacy of both models in the development of the concept strategic CSR. The paper further goes on to discuss several researches conduct on the concept strategic CSR. The strategic CSR model adopts from Werther and Chandler (2011) is explain thru the CSR filter - “assessing management’s planned actions by considering the impact of day-day- tactical decisions and longer-term strategies on the organizations constituents”. It also studies the emergence of social enterprise, forms of social enterprise, role of social entrepreneur, social mission, and strategy and stakeholders involvement. The literature review ends with the concept societal which is contextualized in the concept social and economic value.

The model use to help explain the framework is the CSR filter. This model is appropriate because it allows the reader to understand how strategic CSR create value in profit business. A number of books and databases in the field of Strategic Management and Social Entrepreneurship were used to acquire literature on the topic. The findings of the paper include innovation, leadership, mission, strategy and organizational structure as well as stakeholder’s participation and these are ways how strategic CSR could use by Social Enterprise to create social and economic value.

Conclusions from the literature are drawn and states that by identifying, incorporating and managing stakeholder’s relationships does play a key role in how strategic CSR create societal value as well as the balancing of social and economic value should be taken into consideration. The paper ends with recommendations on further research on how can social enterprise measure stakeholders return? And to analyze if the balance that exist between for profit business and not for profit business should be equal.

Keywords: Strategic Corporate Social responsibility, Social Entrepreneurship, Social Enterprise, Social Value, Economic Value
# Table of Contents

## 1. INTRODUCTION
1.1 CSR and Strategic CSR as a way to create value in profit business  
1.2 Social Entrepreneurship and Societal Value  
1.3 Strategic CSR a way to create societal value for Social enterprise  
1.4 Purpose  
1.5 Research Question  
1.6 The Delimitation  
1.7 Structure  

## 2. METHODOLOGY AND METHODS
2.1 Methodology  
2.1.1 Ontological and Epistemological View  
2.1.2 Inductive and Deductive Approach  
2.1.3 Inference  
2.1.4 Research Design  
2.2 Methods  
2.2.1 Data Collection  
2.2.2 Data Analysis  
2.3 Quality in Research  
2.3.1 Reliability  
2.3.2 Validity  
2.4 Ethics in Research  

## 3. CSR AND STRATEGIC CSR
3.1 CSR Overview  
3.1.1 Triple Bottom Line (TBL)  
3.2 Strategic CSR  
3.3 Strategic CSR Model  
3.4 CSR Filter  
3.4.1 Leadership  
3.4.2 Strategy  
3.4.3 Organizational Structure  
3.4.4 Competencies  
3.4.5 Multiple Stakeholders' Environment  

## 4. SOCIAL ENTERPRISE
4.1 The Emergence of Social Enterprise  
4.1.1 Forms of Social Enterprise  
4.2 The Role of Social Entrepreneurs  
4.3 The Social Mission  
4.4 Strategy and Structure of Social Enterprise  
4.5 Key Stakeholders Participation and Involvement  

## 5. THE CONCEPT SOCIETAL VALUE
5.1 Social Value  
5.1.1 Innovation  
5.1.2 Social value chain  
5.2 Economic Value  
5.2.1 Employment Development  
5.2.2 Equity  

## 6. DISCUSSION
6.1 How can Strategic CSR create societal value in Social Enterprise?  
6.1.1 Innovation  
6.1.2 Leadership  
6.1.3 Social Mission  
6.1.4 Strategy and organization structure  
6.1.5 Stakeholder Participation  

## 7. CONCLUSION
1. Introduction

This chapter introduces the background of the thesis which encompasses CSR and Strategic CSR as a way to create value in for profit business, the concept societal value and social entrepreneurship. It also introduces the problem discussion on strategic corporate social responsibility as a way to create societal value in social enterprise which further leads to our purpose and from which our research question is formed.

1.1 CSR and Strategic CSR as a way to create value in profit business

According to Windsor (2001) cited in Jamali (2007, p.2) Corporate Social Responsibility (CSR) is one of the earliest and key conceptions in the academic study of business and society relations. That said, there are various definitions of CSR, but most share the theme of engaging in economically sustainable business activities that go beyond legal requirements to protect the well-being of employees, communities, and the environment (Heslin & Ochoa, 2008, p.126). CSR as a concept brings significant contribution to the picture of business (Babiak & Trendafilova, 2010, p.12). Since businesses play a pivotal role in job and profit creation in society, CSR is a central management concern and the practice today has moved well beyond mere philanthropy (Fleming & Jones, 2013, p.4). It includes a multifaceted set of activities that create value for the business. This include reducing cost and risk, increasing competitive advantage, creating stronger brands (Kurucz, Colbert & Wheeler, 2009, p.86) as well as seeking win-win opportunities. In addition, CSR includes recruiting initiatives (where organizations considered a more ‘progressive’ employer), social accounting and reporting and corporate culture (Hanlon & Fleming, 2009) cited in (Fleming & Jones, 2013, p.4). Many businesses use branding equity to build a good corporate image. For instance, consumers who have the sense of feeling that they are doing something positive by purchasing a product or service (fair trade) will be more likely to continue to purchase in the future (Gupta, 1995, p.34).

Through the years, the concept of CSR has widened and advanced. The new trend is toward integrating CSR activities into the core operations and planning process of the business (Werther & Chandler 2011, p.5). This is term strategic corporate social responsibility. Strategic CSR has an increasing impact on shaping the relationship between business and society and is defined by Werther and Chandler (2011, p.40) as:

“The incorporation of a holistic CSR perspective within a firm’s strategic planning and core operations so that the firm is managed in the interest of a broad set of stakeholders to achieve maximum economic and social value over the medium to long run”.

By taking a strategic approach, businesses can determine what activities they have in the value chain, the necessary resources to devote to being socially responsible as well as choose those activities that will strengthen their competitive advantage (Porter & Kramer, 2006, p.10). Business and society are interdependent, and any decision made must benefit both sides. Thus, CSR practice should seek a balance between economic and social benefits. Companies also need to balance their long-term objectives against any short-term gains. Therefore, to achieve these ends, companies need guidelines to balance all of these different stakeholders concerns. By planning out CSR as part of a business overall strategic plan, organizations can ensure that profits and increasing shareholder’s value do not undermine the need to behave socially and ethically responsible to other stakeholders (Porter & Kramer, 2006, p.7).

For example, in Nestlé, CSR programs are central to the core business of the company. In order to ensure the highest quality ingredients for the company’s chocolate, Nestlé works with all members of its global supply chain to spread best agricultural practices and technology, especially in underdeveloped countries. These practices results in sustainable development, supplier loyalty, and high quality chocolate (Porter & Kramer, 2006, p.12). Operating in the core business in a socially
responsible way will see the firm enhancing the competitiveness and maximizing the value of economic and social. With these criterions, it can be said that Strategic CSR is a way for profit business to create societal value.

1.2 Social Entrepreneurship and Societal Value

Steyart and Hjort (2006, p.1) posit that there is now an establish body of work that has extend to the economic discourse of entrepreneurship to include aspects of the social environment, which redefine and develop theoretical understandings of social entrepreneurship within the fields of entrepreneurship, management, and economics. The concept of social entrepreneurship means different things to different people (Praszkier & Nowak, 2012, p.12; Mair & Marti, 2006, p.37) and making the boundaries of this concept is a real challenge. Mair and Marti (2006, p.42) emphasize that social entrepreneurship takes multiple forms, depending on socio-economic and cultural circumstances. Despite the differing views on the concept of social entrepreneurship, Defourny and Nyssens (2008, p.4) provide the following comment “simplifying a little, one could say that social entrepreneurship is seen as the process through which social entrepreneurs create social enterprise”. Hence, Social entrepreneurship often leads to the creation of social enterprises.

Social entrepreneurship often displays some qualities that are frequently associated with the field of entrepreneurship, such as, innovativeness, high performance and efficiency, dynamic and economic sustainability. These characteristics help to pull on resources, formed creative partnership, increase performance and accountability expectations and thus achieve a more social impact (Wei-Skillern et al., 2007, p.1). Therefore, social entrepreneurship is having profound implications in the economic system by creating new entities, endorsing new business models, and re-directing resources to neglected societal problems (Santos, 2012, p.336). Social entrepreneurship is also defined as a way of using resources to create benefits for the society and social entrepreneur is the person who seeks to benefit society through innovation and risk taking (Tracey et al., 2007, p.330). Social entrepreneur also seek economic stability and possess a number of abilities and skills in making decision on, how best to utilize resources to receive the enterprise social mission (Wei-Skillern et al., 2007, p.14).

On the other hand, social enterprises exist for the creation of social purposes – “mitigating or reducing a social problem or a market failure and generate social value while operating with the financial discipline, innovation and determination of a private sector business” (Alter, 2007, p.18). They can be seen as hybrid organizations. Thus, their mission is to create social value and this does not mean only to help needy but also foster their active involvement in order to increase their social status and opportunities for economic development. Social enterprises also seek to build lasting interpersonal relations and develop cost effective strategies (Rispal & Boncler, 2010, p.114) as well as developing business models that serve both the needs of individual and promoting responsible civic engagement in its community. Alter (2006, p.213) categorizes social enterprises, according to the level of integration between the social aspects and the business activities into three groups: embedded, integrated and external. Where social activities are either mission centric, related to mission or unrelated to the mission.

Traditionally, profit enterprises focused on the creation and sustaining of profits (Alter, 2006, p. 205), while non-profit organization was seen as creating social value. Reality has long since left that mindset behind (Emerson & Bonini, 2006, p.25). For-profit organizations create a wide deal of social value as well as economic value and integrally contributing to the social stratosphere. Likewise not for-profit organizations whose sole purpose is to provide social benefits is creating economic value to society as well (Emerson & Bonini, 2006, p.30). By creating jobs, providing products and services, helping the disadvantaged groups in society etc. social enterprises are creating societal value. The creation of societal value is intricately contextualized in the concepts of social/ethical/ environmental and economic value. Societal value in its broadest term is the relationship and the contribution to society as a whole (Rispal & Boncler, 2010 p.114). The concept societal value is rooted in the fact that organizations as whole will gain an opportunity to create economic value through the creation of
multiple stakeholders’ relationships and this will be a driving force for growth in the global economy (Porter & Kramer, 2011, p.15).

Therefore, it is crucial to understand that social enterprises exist to help capture both social and economic value for the society. Mair and Martí (2006, p.39) examine various for-profit and not-for-profit initiatives and suggest that the choice of set-up is typically dictated by the nature of the social needs addressed, the amount of resources needed; the scope for raising social capital and the ability to capture economic value. However, there is a lapse knowing how social enterprise is creating societal value through strategic CSR and this is worth knowing.

1.3 Strategic CSR a way to create societal value for Social enterprise

Frequently the question arises about the boundaries between social enterprise and corporate social responsibility; many authors consider corporate social responsibility as a way of promoting social entrepreneurship (Mitra & Borza, 2010, p.65). This is so because the concepts strategic CSR and social entrepreneurship have emerged from the same context which is 1“sustainable development” (Seelos & Mair, 2005, p.245). Fleming and Jones (2013, p.92) mention that strategic CSR can be considered a vehicle to capture value outside the traditional business operating mechanisms of a firm through social enterprise or social entrepreneur.

Although the prime goal of for profit business is to generate profits, companies can at the same time contribute to social and environmental objectives by integrating corporate social responsibility as a strategic investment into their business strategy (Carroll & Shabana, 2010, p.92). For profit organizations have understood that they are rooted in complex stakeholders relations (organizational, economic and societal) and that they need to manage these relations effectively if they are to survive over the medium to long term range; and strategic planning and daily operations will represent the means to manage the “trade-offs” discussed by Werther and Chandler (2011, p 85). This trade-off can be understood to mean that the firm needs to be thoughtful in managing their stakeholders, balancing short-term and long-term interest as said before as well as assessing possible undesired consequences. It is then important for leaders to determine the optimal methods or strategies to meet these differing goals (Werther & Chandler, 2011, p.85). Through strategic CSR, for profit organizations are recognize by both shareholders and stakeholders for their reputations and capabilities in order to gain trust from others who are willing to work with them or invest in their business (Wei-Skillern, et al., 2007, p. 12)

Similarly, social enterprise seeks to attract economic value for the social good rather than profit maximizations (Wei-Skillern, et al., 2007, p. 12; Mair & Marti, 2006, p.39). Social enterprise relies on a strong network of contacts that will provide them with access to funding, board members, volunteers, staff among other resources. Social entrepreneurs have to gain skills at managing number of relationships and pool resources to develop capabilities that the organization cannot achieve on their own (Wei-Skillern, et al., 2007, p. 15). To attract these resources, social enterprises though social entrepreneurs, like business leaders, must have a strong reputation that stimulates social capital among stakeholders and a commitment to invest in the social enterprise social mission (Wei-Skillern, et al., 2007, p. 12). While for -profit business has the necessary human and financial capital to retain and attract the best talent, social enterprises have to rely on creative strategies to recruit, retain and motivate contributors. Because of the lack of financial resources social enterprise mostly work with grass root individuals. Therefore, with limited resources, these organizations sometimes rely on external donors or funding organizations that have a wide diversity of accountability expectations and motivations in the enterprise (Wei-Skillern, et al., 2007, p. 13).

Thus, strategic CSR is understood as a balancing action- business must balance the equilibrium between economic value and social value, and this balance must be achieved among various

1 The Brundtland Report defines Sustainable Development as development that meets the needs of the present generation without compromising the ability of the future generations to meet their needs ( The World Commission on Environment and Development, 1987).
stakeholders (Lantos, 2001, p.601). Strategic CSR also include the integration of social and environmental activities into its core business operations (Werther and Chandler, 2011, p.6). On the other hand, social enterprise, according to Di Domenico, Haugh, & Tracey (2010, p.682) emphasize the importance of sustainability, through providing solutions for social or environmental challenges by using economic methods to sustain their core operations. Strategic CSR approach can also help social enterprise to make the most significant societal impact and thus garner greater benefits for the enterprise (United Nations Economic and Social Commission for Asia and the Pacific, UNESCAP, 2010, p.83). This is so because through the conversion of innovation with the organization competitiveness in products and services, social enterprise is creating value and forming relationships where society and business success becomes mutually reinforcing. Social enterprise also can create societal value through identifying proactive leaders, who are able to communicate and manage the enterprise objectives and overall goals to the relevant stakeholders.

Given the combined social and business nature of social enterprise, this recommends a dual or triple bottom line approach with economic measures and noneconomic measures (Alter, 2003, p.1). Actually, many companies have multiple objectives. For example, at Ben & Jerry's employees are evaluated on both financial contribution and social contribution to the community (Lantos, 2001, p.601). Likewise, business is said to have stewardship responsibilities not just to shareholders, but also to multiple "stakeholders" that is - organizational (internal to the firm) and economic and societal (external to the firm), (Werther & Chandler, 2011, p.35). Multiple stakeholders, or one can say society as a whole, have risen up to the idea that firms need to be more participative as entity and as business citizens. The increase pressure for example, about environmental challenges, and human rights etc., has come together to suddenly propels strategic corporate social responsibility to the forefront.

When social and environmental value is created simultaneously with economic value it can form a synergistic value creation. The unearthing of synergistic value creation provides an incentive for innovating and collaborating ever more closely with the different stakeholders to co-create even more value (Austin & Seitanidi, 2011, p.19). High-quality interactions will enable social enterprises and their stakeholders to co-create unique experiences with other organizations and that will be the key to unlock new innovative sources of competitive advantage. Value will be jointly created by both the enterprise and the different stakeholders. The strategic importance of the stakeholder's integration becomes significant and is seen as an important component to the success of social enterprise and profit organizations with greater focus on producing societal betterment (Austin & Seitanidi, 2011, p.19). Therefore, for organizations to be considered legitimate in future the firm's search of economic value strategy should also provide a balance social creation to the different stakeholders (Werther & Chandler, 2011, p.58).

Ongoing research reveals that the CSR concept applies to organizations of all sizes, and discussions tend to focus on large organizations because they incline to be more visible (Carroll, 2012, p.1). Academic work on corporate social responsibility in small firms is limited. A knowledge gap exists because research on CSR has basically focused on large firms. There has been significant research as to how strategic CSR add to the profit business value (Kurucz et al., 2009, p.90; McWilliams and Siegel (2001, p.123) in addition to contributing to the social good of society. In order words, assuming that for profit organization aims create a balance between social and economic benefits, the different ways of achieving this varies from the leadership, strategy and structure, mission, goals and objectives as well as multiple stakeholders’ involvement. The aim of this thesis is to discuss how strategic CSR can create societal value in social enterprise.

Henceforth, while it is important to note that profit organization is using Strategic CSR as a way to create societal value, unfortunately to date research results provide little evidence as to how can strategic CSR create societal value in social enterprise. Some authors like Wei-Skillern, et al., (2007) show the similarities between social enterprise and profit business and provide literature that through innovation, reputation building and trust social enterprise does create value. However, we are taking a similar ground through a conceptual approach by arguing that strategic CSR could be a way to create societal value in social enterprise, when social entrepreneur design strategies and mission that is focus
and involve the relevant stakeholders. This will lead to the competitive advantage and enhancement of community participation (Fleming & Jones, 2013, p. 92). Working within the Strategic Management framework this thesis looks at how strategic CSR can create societal value in social enterprise? Taking into consideration how these strategic features in the business environment can apply to the social stratosphere.

Proposed model

**Hypothesis**: Strategic CSR is a way to create societal value in Social Enterprise.

**1.4 Purpose**

Therefore the purpose of this conceptual thesis is to discuss how Strategic Corporate Social Responsibility could be used by Social Enterprise to create societal value.

**1.5 Research Question**

1. How can Strategic CSR create societal value in Social Enterprise?

**1.6 The Delimitation**

This conceptual paper is delimited by several elements. First, this paper research design was to carry out a case based study between social enterprise in Jamaica and Sweden. This was unsuccessful due to lack of data and correspondence from the selected social enterprises. Therefore, studying social enterprises using empirical study or conducting case studies is highly recommended. Comparative case based research between different social enterprises to find and how strategic CSR could create societal value in social enterprises would have helped to better understand the field and find more ways to examine the relationship between the variables strategic CSR and social enterprises. In order to encourage social enterprises to use strategic CSR to create social and economic value it would beneficial to study their strategy and structure in more details, and to make these more visible. Second, this conceptual paper has its analytic constraints, for example, it relies on data previous collected by other researchers because of the inability to collect data on our own. All the literature on the topics was not explored due to time constraints.
1.7 Structure

Chapter 1 – Introduction
The first chapter gives an introduction to the general background of the thesis establishing the concept corporate social responsibility and strategic corporate social responsibility and identified how strategic CSR can create societal value in profit business today. It also provides the base to establish how social enterprise emerge from the concept social entrepreneurship and frame discussion around the problem – how can Strategic CSR create societal value in social enterprise?

Chapter 2 – Methodology and Methods

The following chapter presents our epistemological and ontological view - that is our view of reality and how we see knowledge. Furthermore, we describe our research design and the methods used to gather the data.

Chapter 3 and 4 & 5 – Theoretical framework

This chapter presents the theories and models we used to study strategic CSR and social enterprise. It includes the CSR Pyramid, Triple Bottom line, Strategic CSR model and graphical presentation and explanation of the CSR filter. Further it examines the emergence of social enterprises and the concept societal value.

Chapter 6 – Theoretical Discussions

This is where we present our theoretical findings from the literature review. It also provide answers to the research questions

Chapter 7 - Conclusions and further research

This chapter presents our conclusive arguments of the thesis, as well as, suggestions for further research.
2. Methodology and Methods

This chapter discusses the philosophical approach which entails ontological and epistemological view, inductive and deductive approach, inference and our research design. As well as the methods used to collect and analyze the data. In addition, it gives an explanation of the quality and ethics of the research.

2.1 Methodology

The main aim of our thesis is to explain and discuss how Strategic Corporate Social Responsibility could be used by social enterprise to create societal value. It can therefore be said that our methodological considerations have led to the choice of our study. Research methodology reference the overall approach and the procedural rules for the evaluation of research claims and the validation of the knowledge gathered, while the research designs functions as a blue prints for the research (6 & Bellamy, 2012, p.20). The determination of the research methodology is one of the more important challenges that confront us as researchers. This is so because on one hand, the quality and value of a good research is usually predicted to the extent which the researchers have clearly articulates the methodology and on the other hand is the decision to select the appropriate research strategy. Never the less, given the importance of research methodology, this chapter outlines and justifies the current research selected methodology, research approach and research design.

2.1.1 Ontological and Epistemological View

The positivist’s approach outline by Bryman and Bell (2003, p.16); Blaikie (2003, p.30) is popularly associated with the sciences. Positivism is an epistemological position that advocates the application of methods of the sciences to the study of social reality and beyond (Bryman & Bell 2003, p.16). It is in this central tenet that we as a researcher adopt a scientific perspective when observing social phenomena. The basic idea of positivism is that true knowledge comes from experience and can be obtained by observation and experiment. Positivists believe that reality is objective, while knowledge consists of facts (6 & Bellamy, 2012). In this research, we remove our personal bias and accurately collect data and do a complete analysis, explanation and discussion of the research phenomenon.

Social phenomenon can be explained by understanding the device between factors of influence and certain outcomes by applying an objective view to fact gathering and answering the question - How strategic CSR create societal value in Social Enterprise? Objectivism is an ontological position that implies the social phenomena under study comes forth as external facts that are beyond the researchers reach or influence (Bryan & Bell, 2003, p.22). Hence, let say social enterprise means different things to different people across the globe (Praszkier & Nowak, 2012; Mair & Marti, 2006). This definition varies according to their context but yet they have similarities and differences in their operation. Strategic CSR is independent and separate from the researchers and has a concrete reality of its own. Therefore, the components of these social phenomena understudy can be seen as having an objective reality.

The social phenomenon (the object) that is being studied in this paper is Strategic CSR and the subject how strategic CSR create societal value in social enterprise. The positivist perspective is chosen as the most appropriate philosophical approach because it allows the researchers to generate knowledge objectively through the different discourse and debate on the topic. Although strategic CSR has been a debate in recent years (Lantos, 2001, p.595) this research aims to gain insight on the concept by striving to discuss how Strategic Corporate Social Responsibility (SCSR) could be used by social enterprise to create societal value. Even though, researchers have several definitions of the concept Strategic CSR we have adopt Werther and Chandler (2011, p.40) definition and we objectively use our
experience from previous lectures taught in the master programme Leadership for Sustainability to build our understanding of the concept.

### 2.1.2 Inductive and Deductive Approach

6 and Bellamy (2012, p.76) define the deductive approach as testing of theories. It represents the commonest view of the nature of the relationship between theory and research (Bryman & Bell, 2003, p.11). We are using what we have known about Strategic CSR and Social Enterprise to develop a research question. We the researchers employ the stakeholder’s theory perspective and proceeds with a set of models (CSR Pyramid, Triple Bottom Line, Strategic CSR and the CSR filter) and conceptual precepts in mind and formulate the study propositions on this basis. Although, there are several CSR models we have opted to use the CSR Pyramid and Triple bottom line to show the intricacy of the models and their relationship to Strategic CSR. On the other hand, the inductive approach comes from the collected empirical data and proceeds to formulate concepts and theories in accordance. While not disputing the importance of the inductive approach, this research will opt for the deductive approach where we develop a hypothesis stating that: Strategic CSR is a way to create societal value in Social Enterprise.

### 2.1.3 Inference

Research scholars have identified three main inferences to the research activity. These are descriptive explanatory and interpretative inference (6 & Bellamy, 2012, p. 14-15). Brown (2006, p. 119) defines inference to be an assertion which is based on something else that has been observed or is accepted as knowledge. It is important to correlate the research purpose and research questions to make a warrant. However, this study adopts both the descriptive and explanatory inference.

The descriptive inference answer questions about a social phenomenon when the researchers cannot observe them all, or can observe only aspects of the topic under study (6 & Bellamy, 2012, p.16). Through the collection, organization and summarization of information about the research problem: How can strategic CSR create societal value in Social enterprise the inference that will be drawn is rather descriptive. This is so because most research is partly descriptive in nature, insofar as the descriptive aspect defines and describes the how?

So far, the purpose of this research lends itself to such question as: How can social enterprises create societal value through strategic CSR? This question correlates the research purpose and is integral in nature because the answer will be found through literature review and as such impose a descriptive purpose upon the research.

On the other hand, explanatory research seeks to clarify the relationship between variables and the componental elements of the research problem (6 & Bellamy, 2012, p. 17). That is, this type of research highlights the intricate interrelationships that exist within for profit business and social enterprise as well as the concept Strategic CSR. The research question also demands an explanation for strategic CSR and it is important to discuss the problem of balancing value by identifying and explaining the relationships between the factors.

### 2.1.4 Research Design

Notwithstanding the challenges, this research takes the form of a literature review. We are using a systematic review approach. Cited in Bryman (2008, p. 85), Tranfield et al. (2003, p.209) define systematic review as a replicable, scientific and transparent process... that aims to minimize bias through exhaustive literature searches of published and unpublished studies and by producing an trail of the reviewer’s decisions, procedures and conclusions. We seek to incorporate within the review, all the studies that meet our research purpose. The searches are based on keywords and terms relevant to the purpose of our thesis.
The initial idea of our thesis was to conduct cased based research by examining two social enterprises and to find out how they create societal value through strategic CSR. These enterprises are located in Jamaica and Sweden. The reasons for choosing Jamaica is that one of the researcher lives in Jamaica and Sweden was also chosen because that particular enterprise gave a lecture in our master’s programme and we found it interesting to study. However, this was hampered because of the limitation in collecting the required data from Jamaica, as well as, the late response from the enterprise in Sweden.

2.2 Methods

6 and Bellamy (2012, p.9) define method “as the set of techniques recognized by most social scientists as being appropriate for the creation, collection, coding, organization and analysis of data”. We the researchers have collected the data in the form of a literature review. The study is based how strategic CSR create societal value in Social Enterprise? We have gathered secondary data from sources such as: CSR and Social Entrepreneurship books, articles appearing in scholarly journals and other reputable publications. Some of these are research papers submitted to the University of Malmo library and sources available in electronic media format from the internet. These sources have been collected and used to analyze the necessary information on the subject under study to arrive at a comprehensive report. However, the choice of our research methods was predefined by the following points:

a. The discourse of CSR  
b. Understanding the concept strategic CSR  
c. The importance of balancing societal value to the different stakeholders  
d. The concept of social enterprise and societal value

2.2.1 Data Collection

Data has been collected from: Strategic Corporate Social Responsibility by Werther and Chandler (2011) to form the pre-understanding/ background and developed the problem discussion. Strategic Corporate Social Responsibility was chosen because it was one of the core literatures in the course Organizing and Leading Sustainable Organizations. Merging theory with practical application, this comprehensive text supports our course at the intersection of corporate social responsibility (CSR), strategy and corporate governance. Section I of the book provides an overview of the field, defining CSR and placing it in the context of wider corporate strategy. Section II contains chapters on CSR issues related to the organization, the economy, and society, and provides detailed case studies on a variety of well-known firms. Adopting a stakeholder perspective, Werther and Chandler (2011) explore CSR issues within the complex organizational, economic, societal and global business environment in which corporations operate today.

This book was used to present the main arguments on Strategic CSR: that organizations need to manage the “tradeoffs” if they are to survive over the medium to long term range (Werther & Chandler, 2012, p.85). As well as, firms need to incorporate the social dimension into its strategic planning with a focus on the core operations in order to gain competitive advantage. The Strategic CSR model and CSR filter was discussed from the perspective of Werther and Chandler (2011).

From reviewing the book Strategic Corporate Social Responsibility written by Werther and Chandler (2011), we the researchers have realized that Porter and Kramer and Archie B. Carroll did extensive studies in the area of CSR - combining businesses and society. We did a Google scholar search on the authors and the following articles were found in the Harvard Business Review:
a. The Competitive Advantage of Corporate Philanthropy (Porter & Kramer, 2002)
b. Strategy and Society: the link between Competitive Advantage and Corporate Social Responsibility (Porter & Kramer, 2006)
c. The big idea: Creating Shared Value: how to reinvent capitalism and unleash a wave of innovation and growth (Porter & Kramer, 2011).
d. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders (Carroll, 1991)

We have chosen to use the work of Michael E. Porter and Mark R. Kramer (2006) because they have written several articles in the field of Strategic Management. We found their work on strategy and CSR to be most relevant for our study on societal value creation. Along with Porter and Kramer we have also chosen Archie B. Carroll (1991, 2000, 2008).

Porter and Kramer (2002, 2006) were consulted and the arguments discussed in the chapter 3 were found important to debate on CSR. The authors propose that CSR can solve societal problems and gives company a competitive edge. The authors also provide suggestions for practicing strategic CSR by seeing it exceeds corporate citizenship (Porter & Kramer, 2006, p.9) as well as providing an inside and outside linkages and thus have a fair competition in the market. The article the big idea: Creating Shared Value: how to reinvent capitalism and unleash a wave of innovation and growth was consulted and the idea of “share value”, presented by Porter and Kramer (2011) was used to support the synergistic relationships between the economic and social actors in the industry.

We have therefore chosen to use the model of Archie B. Carroll (1991) who depicts CSR as a pyramid model where the economic responsibility underlies all the others. Even though the model is from 1991 we find it interesting to point out that responsibilities were discussed and organized 22 years ago. The model is also relevant due to the fact that we can see how the work of Porter and Kramer in 2006 stretches further than simply good citizenship as in the model of Carroll. From work done by (Carroll) we also consulted: Ethical challenges for business in the new millennium corporate social responsibility (2000), as well as work done by Carroll and Buchholtz (2003, 2008), Business and society ethics and stakeholder management. These articles were used to support arguments that CSR has developed and moved from being perceived as obligatory to strategic voluntary actions.

The keyword “Strategic Corporate Social responsibility” was used to collect data on the concept “Strategic CSR”. We used this term to search the library’s webpage and the return result was 413. We consulted the first five page of the database and found the “Oxford handbook of social responsibility (2008), which was crucial in our discussion on corporate social responsibility. The same search term was used in Google scholar and a total of 1,320,000 hits were returned. We knew it was too wide therefore we collectively decided to consult the first five pages. From this search, the article written by Lantos (2001), McWilliams (2001), Jamali (2007) were selected to support Chandler and Porter arguments on strategic CSR. From the Google Scholar search we have consulted “how Corporate Social Responsibility pay off” and have lead us to Maas and Boon (2010) and Rangan (2012) we selected these articles because of the publication year and the supporting arguments towards the field of strategic Corporate Social Responsibility. Maas and Boon (2010) believe that strategic CSR create numerous values for the business through value creation, value integration and value distribution while Rangan (2012) supports the idea that CSR should incorporate in the value chain.

The Malmö University Library’s webpage was again consulted using the following keywords “Social enterprise and Social entrepreneurship” the returned results gave us only (5) five books. From those books, we consulted “Social enterprise: at the crossroads of market, public policies and civil” by Marthe Nyssens 2006, this led us to selected the work of Defourny and Nyssens (2008) where these authors conducted an intensive study on the concept social enterprise within the European context, where they see social enterprise within the third sector and adopting a legal organizational form is a problem. The literature gathered from this book was not sufficient and we decided to do another a
search in the library’s database in which we used the keyword “Social enterprise” since this was the social phenomenon that we are interested in.

The results from such search gave us a return of “7714” hits, we knew this search was too wide, however, we decided to limited our selection to the first three pages of the database. There are 10 books on each page, hence we consult 30 titles. Majority of these books were e-books and thus we scanned the contents and if the contents did not relate to our topics we did not proceed to read thoroughly. The books Social entrepreneurship: a skills approach edited by Robert Gunn and Chris Durkin (2010) and Social entrepreneurship: new models of sustainable social change, edited by Alex, Nicholls (2006) were selected. The idea that social enterprise stems from the discourse of social entrepreneurship came from the article written by Kulothungan, G. (2010). What do we mean by ‘social enterprise’? Defining social entrepreneurship in Social entrepreneurship: a skills approach. We therefore, use the arguments from this article to help frame social enterprise and supports Defourny and Nyssens (2008) definition of social enterprise. Alter (2006) article in the book edited by Nicholls (2006) was used to explain the different types of Social enterprises and the mix motives of social enterprise.

In addition, Handbook of research on Social Entrepreneurship edited by Fayolle and H. Matlay (2010) was recommended to us in a guest lecture by Fredrik Björk. The article written by Rispal, H. H., and Bonler, J. (2010) in the book was used in the discussion on social and economic value. Societal value was framed from the notion that it is the relationship and/ or the contribution to society as a whole and because of the limited work done on societal value. It was contextualized in concepts social, economic and social value to society.

We were lacking some pertinent data on both search term “social enterprise” and “strategic CSR” and our supervisor Jean-Charles Languilaire loan us some books.


(2) Henriques, A., & Richardson, J. (Ed.). (2004). The triple bottom line, Does it all add up?: Assessing the sustainability of business and CSR.


The book written by Wei-Skillern was used to form the problem discussion and support the role of social entrepreneurs in chapter 4 as well as Bielefeld (2011) was used to collect data on social value. Henriques and Richardson (2004) and Fleming and Jones (2013) respectively was used to collect data on the triple bottom line and the concept strategic CSR.

2.2.2 Data Analysis

Pre-determining what is important to capture and report is a critical aspect for an effective and efficient literature review. Therefore, because the thesis is written in pairs we decided to develop our own guidelines as to how to capture the data. The following criteria were decided up on:

1. Definitions of core concepts
2. Review of the main objectives and purpose of the studies
3. Explanation of characteristics and or components
4. Theories

Definitions of the core concepts: We define the main terms in the research question “strategic CSR”, “Social enterprise” and “societal value”. This is so because confirming a common understanding of the social phenomenon under study is vital for a good research. Especially, because the concepts like
social enterprise and social entrepreneurship mean different things to different people across the globe. This was used because we wanted to ensure that we remain in line with our purpose: to discuss how strategic CSR could be used by social enterprise to create societal value.

Objectives: A clear understanding of the objectives of the research was necessary because it points us as researchers to the area of focus. For example, in the context of Porter and Kramer an understanding of why organizations should consider share value was critical because it lead us understand why we are adopting such concept in our paper.

Characteristics: Explaining the components of the different concept used was necessary because they complement the definitions of the concepts. This also shows how they differentiate to other similar topics. For example, it was vital to define triple bottom line but it was vital to position it with Stakeholders concept and the CSR pyramid

Theory – The application of theory is important to improve the research. Thus, in an attempt to describe the current status of the field of study, it was also important to try to reveal the theoretical underpinnings in which the discipline is based on.

We also include additional topics that might specifically pertain to the field under investigation based on our study purpose. We scanned the reference list for the most cited papers in the field: Lantos (2001), McWilliams (2001) to identify what aspects are deemed important. In analyzing the data from CSR and Strategic CSR we selected the chapters of the books that relate to our key words - “strategic CSR”, “social enterprise” “social value” and “economic value”. Social value and economic value was used because we had to contextualize “societal value” in order for our readers to get a clear understanding of the concept societal value. We read the abstract of the articles first and if the key words identified above related to the social phenomena we are studying, then we read the entire article and carefully select those views that contribute to our purpose. Some of the arguments are “organizations must identify, incorporate and manage the relevant stakeholders decisions in order to use to create social and economic value”. We also build our discussion based on the common threads that lies between literature in the strategic and social entrepreneurship field. The discussion surrounds analysis of data from the Strategic CSR, CSR filter, Social and economic Value, role of Social entrepreneur, social mission, strategy and stakeholders.

2.3 Quality in Research

The quality of the outcome of any research is essential to increase reliability and validity for our findings.

2.3.1 Reliability

A study is reliable when another researcher uses the same procedure and thus studying the same phenomenon and arrives at similar or comparable findings (6 & Bellamy, 2012). Therefore, to develop the reliability of this research we ensure that the cited information will considered and meticulously applied. The selected books and articles used in this thesis is easily traceable due to the fact that they came from reputable sources such as : the Malmo University Library’s Database and others from Google Scholar while the others were loan to us by our professor and recommended by other lecturers.

2.3.2 Validity

The research will be valid only if it actually studied what is set out to study and only if the findings are verifiable (6 & Bellamy, 2012, p.22). 6 and Bellamy (2012, p.22) explore methods that establish validity as: Construct Validity refers to “the degree to which the measures or codes used to operationalize a concept really capture what we intend to capture” (6 & Bellamy, 2012, p. 21). This is an establishment of accurate operational measurements for the research core concept and this will be done by establishing a sequence of evidence throughout the data collection process by verifying key
information and the use of multiple sources of information. The collected data is used to form our theoretical discussions and capture the relevant ideas surrounding how strategic CSR could be used by social enterprise to create societal value.

**External Validity:** Therefore the external validity of this research deals with the ground to which the study’s finding can be generalized beyond this context (6 & Bellamy, 2012, p.22). We can test the applicability of the findings to external case studies. While conceding to the importance of external validation method, it is beyond the scope of this current thesis. Subsequently, the research shall seek the verification of its findings through construct validation.

### 2.4 Ethics in Research

Since ethics plays a vital role in any research, firstly, we examine if the research question was already answered, since it would be unethical to research this problem again. In any literature review the findings from previous studies become the raw data to form our analysis and discussion therefore we ensure that the cited works of these existing researchers are done accurately and fairly. The relevant articles were judged by their titles and were excluded if the abstracts were not available. Articles focusing on very general and broad topics of CSR and social entrepreneurship only and was not directly connected to the purpose were also excluded.
3. CSR and Strategic CSR

The notion is that business itself should not be separated from the concept of society. Business operates within society and the society helps define a business’ stakeholders to which the organizations have a responsibility. This section addresses CSR and Strategic CSR by examining the CSR in the context of the Pyramid and the Triple Bottom Line and opens the avenue for discussion on the concept Strategic CSR and later explains Strategic CSR model and CSR filter.

3.1 CSR Overview

Different authors seem to have different explanations as to what CSR is. Some argued that CSR is an excellent tool to market the firm and should therefore be led by marketers (Lantos, 2001, p. 595) or be used to enhance the company’s brand (Kurucz et al., 2009, p.90). Others argued that firms should be socially responsible because that is the right way to behave (Rangan et al., 2012, p.5). However, in 1979, Archie B. Carroll proposed a four part definition of CSR which is later embedded in a conceptual model called the pyramid of corporate social responsibility (Carroll, 1991, p. 36; Carroll & Shabana, 2010, p.91). At that time, Carroll noted that previous definitions of CSR had alluded to business responsibility to make a profit, obey law and to go beyond activities (Carroll, 1991, p.36). Likewise, he observed that, to be complete, the concept of CSR had to embrace a full range of responsibilities of business to society. In addition, some explanation was needed regarding that component of CSR that extended beyond making a profit and obeying the law. Werther and Chandler (2011, p.8); Carroll (1991, p.39-48); Carroll and Buchholtz (2008, p.40); Lantos (2001, p.596) highlight that organizations should not be only judged on economic responsibilities, but also on legal, ethical, philanthropy/discretionary responsibilities. According to Werther and Chandler, (2011, p.6) the social responsibilities of business should encompass the expectations of all four faces that society has of organizations at any given point in time. Therefore, for CSR to be accepted by a meticulous business leader, it should be framed in such a way that the entire range of business responsibilities is embraced. An explanation of this definition is useful first and foremost Carroll (1991, p.38) argued that:

*Economic Responsibilities* is a nature of kind and the business institution is the basic economic unit in society. Thus, it has a responsibility to provide goods and services to societal members. Profits motives were the primary encouragement for entrepreneurship and it is essential as a motivation and reward for those persons who take on commercial risk. The economic element of the definition highlights the fact that society expects business to produce goods and services and sell them at a profit. This is however, how the capitalist system is designed and function (Carroll, 1991, p.38). Even though it may seem odd to think of this idea as “social” responsibility, indeed, this is what it is. Some persons may think of economic as one distinct element of the CSR definition; it is basically embedded with ethical assumptions, implications and overtones (Carroll, 2000, p 35).

*Legal Responsibilities* – Just as our society has sanctioned economic systems by allowing business to undertake the economic role of producing goods and services and selling them as a profit, society has also laid down ground rules - laws under which business is expected to pursue its economic function (Carroll, 2000, p. 35). This entails complying with the law and regulations propagated by the state, federal and local governments and playing by the rules of the game (Carroll, 1991, p.42.). As a part of the social obligations between business and society organizations are expected to pursue their economic missions within the context of the law. That is, because the law is society’s codification of acceptable and unacceptable practices (Carroll, 1991, p.42; Carrol & Buchholtz, 2008, p.46).

*Ethical Responsibilities* - Even though, economic and legal responsibilities represent ethical norms that speak to fairness and justice, there is notion that ethical responsibilities hold those practices and activities that are expected or forbidden by societal member; regardless they are not codified into law (Carroll, 1991, p.44). At its most basic level, this is the obligation to do what is right, just, and fair and to avoid or minimize harm to stakeholders - employees, consumers, the environment, communities and others (Carroll, 1991, p.44; Carroll & Buchholtz, 2008, p.46) or in keeping with stakeholders’ moral
rights or legitimate expectations. Examples of the ethical responsibilities are fair trade, CO2 leak control, or the prevention of child labour in third world countries (Carroll & Buchholtz, 2003, p. 37-39).

**Philanthropic or Discretionary Responsibilities** – Whereas the economic and legal accountabilities are required of business and ethical behaviors, policies and practices are expected of business, philanthropy is both expected and desired (Carroll, 2000, p.37). Business is expected to be a good corporate citizens, that is, to fulfill its philanthropic responsibility, to contribute financial and human resources to the community and to improve the quality of life (Carroll & Buchholtz, 2008, p.46). Philanthropic include the society’s expectation that business will engage in social activities that are not mandated, not required by law and not generally expected of business in an ethical sense, notwithstanding the fact that some ethical reinforcements or rationalizations sometime serve as the basis for business being expected to be philanthropic (Carroll, 2000, p. 37). However, the delicate distinction between ethical and philanthropic responsibilities is that the latter are not expected with the same degree of moral force. For instance, if an organization does not participate in business giving to the extent that some stakeholder groups expected, these stakeholders would not likely label the organization as unethical or immoral. Therefore, within the philanthropy category, a philanthropic expectation does not carry the same magnitude of morally mandate as in ethical category. While, Carroll (2000, p.37) depict the normative prescription of philanthropy to be “good corporate citizen” it is however a narrow picture of corporate citizenship and should be reflective of all the four faces. This is so because when it comes to “giving back”, time and money in the form of voluntary service, voluntary giving and through voluntary association a controversy usually divulge over the legitimacy of CSR (Lantos, 2001, p.598).

In summary, the first conception of the model seem to take a reflective developmental perspective, based on history that speak to the fact that business early emphasis was on economic, then legal aspects and later ethical and philanthropic aspects. The last two levels are more flexible than the bottom levels. However, a company should not ignore these responsibilities since they are the ones that fulfill a company’s CSR. Carroll’s pyramid illustrates a wider perspective of the social responsibilities, indicating that a company should look beyond its own interests and focus on the society and the environment, because each responsibility addresses different stakeholders in terms of their varying priorities in which they are affected. Additionally, the ethical and philanthropic responsibilities capture the essence of what people today generally perceive as being a company’s social responsibility (Carroll & Buchholtz, 2003 p. 41). Hence, one can agree with this view of CSR that point towards the fact that CSR is no longer seen as obligatory, but rather as a voluntary strategic tool.

3.1.1 Triple Bottom Line (TBL)

The idea of CSR is also embedded in what John Elkington phrase the triple bottom line. According to Adams, Frost and Webber (2004, p.18), Elkington (1997) clearly articulate and place Triple Bottom line on the global spectrum. For example, the Exxon Valdez disasters, Shell international criticism on the Brent Spar oil spill and many other corporate profits and booming stock market as resulted in the heightened global awareness (Werther & Chandler, p133-134; Adams, et al., 2004, p.18). The TBL provide a language that makes sense of the sustainability concept to a population that was once focusing on the economic bottom line only. In practical terms, the TBL means that a company expands its traditional economic reporting by taking environmental and social performance into account in addition to the financial performance (Henriques & Richardson, 2004, p.29).

It seems that the events of the 1990s legitimize the sustainability proposition, and the TBL concept articulated it. This concept seeks to encapsulate for business the three key spheres of sustainability-economic, social and environmental (Carroll & Buchholtz, 2008, p.71). The “economic bottom line” speaks to the organizations creation of material wealth, which includes financial wealth and the company assets. The “social bottom line” refers to equity between the general public, communities and society on a whole as well the quality of individuals’ lives, while the “environmental bottom line”
seeks to protect and conserve the natural environment (Carroll & Buchholtz, 2008, p.72).

These three concepts can be embodied in the Pyramid of CSR discussed above and represent a version of the multiple stakeholders’ perspective that will be discussed later. In its simplest form, triple bottom line is used as an outline for measuring and reporting corporate performance in terms of economic, social and environmental indicators (Werther & Chandler, 2011, p.132; Carroll & Buchholtz, 2008, p.71). Thus a firm that wants to be more transparent and accountable to all its stakeholders should enlarge the scope of it annually reporting to include the triple bottom. However at its broadest term, the concept of triple bottom line according to (Carroll & Buchholtz, 2008, p. 72) is used to encapsulate the entire set of values, concerns and processes that organizations need to address to reduce harm resulting from activities and to create a substantial balance between economic, social and environmental value.

In conclusion, behind the idea of the TBL lies the fact that a company’s success and growth can and should be measured not just by financial bottom line, but also by its social and environmental performance. In a visual comparison below, the CSR pyramid measure each level of responsibility in a hierarchical order, while the TBL has a flat structure where each responsibility is equally measured. Thus, we have seen that CSR has developed and moved from being perceived as obligatory to strategic voluntary activities. Even though, the focus was once on economic value only, the triple bottom line shows that there need to a balance between the social, economic and environmental activities.

The Pyramid of Corporate Social Responsibility

Diagram 1 adopted from Carrol & Buchholtz, 2008, p.40

The Triple Bottom Line

Diagram 2 adopted from Henriques & Richardson 2004, p.29.
3.2 Strategic CSR

The concept of strategic CSR was an answer to the disgruntlement with traditional CSR. Waddock (2012, p.13) posits that strategic corporate social responsibility is the attempt by companies to link philanthropic/discretionary activities explicitly to improve some aspect of society with their strategies and core business activities. Also Jamali (2007, p.7) and Carroll (2001, p.200) cited in Lantos (2001, p.618); Rangan et al. (2012, p.6) state that strategic CSR as strategic philanthropy aims at achieving strategic business goals while promoting societal welfare. Most researchers view strategic CSR as CSR activities that are good for society as well as good for business (Carroll, 2000, p.37; Lantos, 2001, p.618; Porter and Kramer 2006, p.3; 2002, p.15). While CSR has traditionally referred to a firm’s economic, legal, ethical and discretionary responsibilities to society, Strategic CSR, in general, represents discretionary activities that form a company’s societal relationship (Waddock, 2012, p.13; Jamali, 2007, p.8). This includes corporate volunteerism, corporate philanthropy and multi-sector collaborations (Waddock, 2012, p. 13; Rangan et al., 2012, p.6). The use of the term strategic in CSR implies that the discretionary activities can result in long-term gain for the company. This can be both direct and indirect benefits for the firm—that is, to somehow help the firm achieve its strategic social and economic objectives (Jamali, 2007, p.9; Waddock, 2012, p.13). However, there is a wide range of ways in which companies can use corporate social responsibility activities strategically. For examples, helping schools improve so that in the long term, the workforce will be better educated. As well as, to improve local conditions in communities, so that it will be easier to recruit and retain employees. In addition, improve the firm’s reputation, goodwill and loyalty among customers, so that they will continue to buy into the company’s products and services, as well as numerous other examples (Waddock, 2012, p.13; Jamali, 2007, p.9).

Rangan et al. (2012, p.5) contributes to the concept strategic CSR state that every organization should have a strategic CSR that combine the different range of a company’s philanthropic giving, re-engineering the supply chain and system level initiatives all under one umbrella. Owing to the fact that, their definition of strategic CSR does not connect to a complete engagement into the firm’s core business strategy. Rangan et al. (2012, p.5 ) firstly, proposed that within the philanthropic spectrum business involves in CSR activities because is a good thing to do, motivated by the reason that company is an important part of society and therefore obligated to contribute to community needs. Rangan et al. (2012, p.5) also argues that leaders sometimes are not able to provide comprehensive arguments on how philanthropic giving adds to a firm’s business strategy, even though these activities help improve the firm’s reputation and provide a degree of separation from unexpected risks.

Secondly, by improving the operational effectiveness throughout the value chain on both the supply and demand channel businesses is involving in strategic CSR - that is increasing their opportunities and profitability while creating social and environmental benefits (Rangan et al., 2012, p.7). This is considered to be the “Share Value” according to Porter and Kramer (2011, p.16) where company seeks to co-create economic and social value. For example, firms that recognize the value of innovating new manufacturing and technology solutions that reduce operating costs while mitigating environmental impacts will fall into this spectrum. Rangan et al. (2012, p.7) also mention that initiatives in this CSR domain are typically managed or co-managed by an operational manager on the supply side or a marketing manager on the demand side of the value chain, reflecting the focus on enhancing operational efficiency and/or building revenue.

Rangan et al. (2012, p.9) third proposition is that the activities of CSR consists of a wide scale that is not static but is conducive to changes in the business model that contributes to solution to societal problem, which would reap returns financially in the long term. That is, company seeks to create societal value by meaningfully addressing serious social or environmental need within its business range and economic return is expected to flow from the creation of public (societal) value and company will also take a longer time to reap profits (Rangan et al., 2012, p.9).
Heslin and Ochoa (2008, p.129) argue that CSR is more than corporate philanthropy. Strategic CSR is considered as initiatives providing opportunities for organizations to learn from projects they invest in and use that knowledge to build the organization’s core competencies, while simultaneously improving social or environmental conditions. The authors argued that the understanding gained can flow back into the organization and help drive new innovations throughout the company. For example, in the 1990’s, Bell Atlantic involved in a project that improved inner city children’s learning with technology. This was done by developing new insights about networking technologies that out do the costs of the project and further led to profitability in the long-term. Hence, strategic CSR undertakings provide productive ground for organizational learning and innovation, while also benefiting the social and environmental sphere (Heslin & Ochoa, 2008, p.129). These strategic CSR activities create value for stakeholders as well as enhance company’s business and social performance. Hence, society is seen as sustainable in the long run (Bruch & Walter 2005, p.49). Peters (2009, p.10) also mention that strategic CSR activities are keeping with organizations core business rather than merely distributing, random donations, this produces far greater benefits for both the company and the wider society. This type of strategic engagement promotes sustainable stakeholder management, leads to greater confidence and helps to integrate the company into the surrounding society. Organizations can form new partnership, engage in serious dialogue with stakeholders, gain insight into stakeholder interest and acquire new expertise.

Lantos (2001, p.618) highlights that strategic CSR is done to achieve business goals and the idea is that while being socially and ethically responsible firm’s often entail short-run cost which commonly results in long-long-gain. McWilliams and Siegel (2001, p.123) argue that strategic CSR activities should be viewed as ‘goodwill’ which yields financial returns. Lantos (2001, p. 619) support McWilliams and Siegel (2001, p.123) argument by stating that “these long-term benefits might not directly show up on a firm’s financial statements, like the economic results of many marketing activities such as campaigning and advertising”. However, it might be necessary for company to involve in this investment as they might not know when and how they will come under pressure from the society. For example, Ford spent millions in advertisement to convince parent that children ages 4-8 should ride in booster seats, which raise children in auto seats so that adult seat belts fit better, and Ford gives away one million such seats. The goodwill generated among customers, government regulators, and consumer advocates from such efforts might likely justify the investment (Lantos, 2001, p. 619). Many companies have established CSR using branding, which has become a central point of their success and competitive advantage (Werther & Chandler, 2011, p.120). For example, the Body Shop, through its leader Anita Roddick, adopted a number of fair trade and other social issues Fleming & Jones (2013, p.5). These stances help to differentiate the firm’s offerings and make responsibility figure prominently in its identity in the minds of consumers (Werther & Chandler, 2011, p.122).

However the United Nations Economic and Social Commission for Asia and the Pacific -UNESCAP (2010, p.63) argue that many common CSR business are neither strategic nor operational, but sometimes tend to be “cosmetic” in nature and overwhelming related to public relations and media campaigns. While many firms choose to construct their images on surface issues of CSR, this sometimes ignores the true meaning of sustainability. The focal point of some companies CSR activities are sometimes reflected in ‘glossy’s reports that showcase social and good deeds. While nothing is wrong with these types of report and as (Werther and Chandler, 2011, p.139 ) state that they show business accountability and transparency to some extent. Sometimes they rarely present any strategically framework for CSR actions. Based on previous discussions it seem that ethical and moral imperatives were mandatory for any business to behave in a more responsibly way (UNESCAP, 2010, p. 64 ) in reality a company needs to balance competing values, interests and costs of doing business. Business needs to balance one social benefit against another, environmental benefits against social returns, or even against financial costs. For instance, ethical and moral principles do not provide practical guidelines for business on how to distribute its budgets to include, for example, allocating funds for needy children, investing in facility renovations, developing new innovations for future competitiveness, and also providing dividends to its shareholders (UNESCAP, 2010, p. 64).
Porter and Kramer (2006, p.9) mention that organizations should therefore go beyond best practices, beyond responsive CSR, and develop a strategic CSR, choosing a distinctive position while doing things differently, better and at a lower cost. Strategic CSR is based on both inside-out linkages (a firm level perspective) and outside-in linkages (an environmental level perspective) and this is where “shared value – interdependence between company and society” is being created (Porter & Kramer, 2006, p.10). Inside-out – linkages is where company imposes upon society through the day to day operation of the business and Outside-in linkages is where external social conditions influence the firm’s position (Porter & Kramer, 2006, p.10). While addressing both perspectives, a synergetic relationship develops and value is created by investing in social aspects that strengthens the company’s competitiveness. Additionally, the more closely the connection is between the social issue and the company’s central business, the greater is the chance to control the company’s competences and resources while also benefiting the society (Porter & Kramer, 2006, p.8). Consequently, leaders who are responsible for CSR initiatives must have the ability to understand every activity of the value chain and integrate these activities into performance measures while managing the interest of the different stakeholders view.

Maas and Boons (2010, p.169) mention that some advocates of CSR such as Freeman (1970); Husted and Salazar (2006) believe that strategic CSR and will provide value for the business, society and ecosystem and is a source of innovation. This can be done according to Maas and Boons (2010, p.183) by meeting two main conditions (1) Only if CSR integrate in the strategy of the firm though value creation, value integration and value redistribution. (2) By measuring and monitoring CSR impact across environmental, social and economic dimensions and ideally incorporate those impacts into management decisions (Maas & Boons, 2010, p.183).

Value creation is where the firm creates new value by developing new products, service or activity which is perceived valuable by some social group (Maas & Boons, 2010, p.171-172). These new innovations may require collaborations with other stakeholders. Also, these new develop innovations may consider as the core strategic approach to CSR as they channel the firm and its core activities towards a redefined balance between economic, environmental and social value for the society. For example, these new products can be more environmentally friendly or can be completely recycled and present valuable business opportunities (Peters, 2009, p.9).

Value integration is incorporating the stakeholders concerns into the firm’s strategy. This concept is guided by the notion that interest of all stakeholders should not be sacrificed to the interest of the shareholders and value should be created with and for all its stakeholders (Maas & Boons, 2010, p. 173). Value integration also means to incorporate values support by stakeholders into organizational activities and routines of the firm that were once ignored. The voice of the different stakeholders can result in the optimization of existing products and processes by product stewardship (Maas & Boons, 2010, p.174). However a challenge may occur in this type of CSR activity because that value cannot maximize in win-win situations or optimize value in a win-lose or lose-win situations and thus remain blur in the theoretical and practical arena surround CSR as a strategic activity (Maas & Boons, 2010, p.174).

Value distribution is a third type of strategic CSR activities that has been drawn from the literature on global product/service chains. It involves identifying the powerful actors in the chain that control crucial resources and who generate most of the profits and coordinate with them throughout the chain as a source of competitive advantage (Maas & Boons, 2010, p. 175). It is basically the relationship among the commodity chain that are change to foster a more equal balance economic actors in the producing countries in terms of social environmental and economic value (Maas & Boons, 2010, p.176). In addition, it is important to coordinate with these actors but also monitor their production and transportation conditions. For example, are suppliers adhering to the ILO labor standards and complying with environmental protection regulations? (Peters, 2009, p.10).

Strategic CSR is the philosophy of integrating CSR into firm’s strategic perspective and operations (Werther & Chandler, 2011, p.64). Other advocates like (Johnson et al., 2008, p.148; McElhaney, 2008, p.24) state that the more firms integrate CSR into their corporate strategy, the better firm’s will
be able to satisfy the demands of stakeholders. Increasingly there are evidences of firms engaging into strategic CSR activities which are benefiting the organizations. For example, Jones, et al. (2005, p. 434) in their study of UK’s ten leading food retailers reported that each of the food retailers had its own methodology to CSR and importantly each of the food retailers made its case for locating CSR as an integral component of the core business for long term growth and financial security for stakeholders so as to sustain or enhance the market position. Furthermore, Jones et al. (2005, p. 435) stated that many of the environmental initiatives addressed in CSR reporting are designed to reduce energy use and waste generation as well as reduced cost at the operational level.

In summary, effective corporate responsibility requires an integration of CSR into business’s strategy as well as its in-process operations (Werther & Chandler 2011, p.143). Business should be able to knowingly identify, prioritize, and address the social causes that matter most, or at least the ones on which it can make the highest impact to society and business’s future. As explained in the background business and society are interdependent, and any decision made must benefit both sides. However, if either business or society pursues actions that benefit the interests of one side at the expense of the other, it will find itself on a critical path (Werther & Chandler, 2011, p.59). This means CSR practice should seek a balance between business and social benefits. Companies also need to balance their long-term goals against any short-term costs. Thus, to achieve these ends, a company needs procedures to balance all of these concerns. A strategic context for CSR activities consequently will helps a company in planning, organizing, leading and executing its CSR practices (Werther & Chandler, 2011, p.85; UNESCAP, 2010, p. 64). The strategic approach should align the company with the dynamic demands of the business and social environment, as well as the confluence of stakeholder expectations ( Werther & Chandler, 2011, p.60) The Strategic CSR model through the CSR Filter are two such models adopted by Werther and Chandler (2011, p.86) that we have decided to use in this thesis to practically shows the integration process.

### 3.3 Strategic CSR Model

Building on the work of Werther and Chandler (2011, p.110), the Strategic CSR model clearly abridge the relationship between CSR and strategy. It is suggested that strategic CSR is the incorporation of the firm social dimension into its strategic planning with a focus on core operations activities. A CSR strategy should formulate and reflects an understanding of why and whether greater attention to CSR is necessary for the organization and as such should communicate and report in official document such as code of conduct, code of ethics etc. The external environment of the organization is reflected not only by legal and economic requirements but by stakeholders’ expectations with respect to corporate contributions to society and the natural environment (Epstein & Roy, 2001, p.587). Thus organizations should aim to understand what the outside environment expects in terms of CSR. The internal environment is an analysis of what organizational stakeholders think about CSR activities both currently and future wise.

This dialogue contributes to assessing the perception of corporate efforts to CSR. Also after analyzing the external and internal capacity on CSR activities, organizations express their strategic commitment and mission. This should lead to a fit between the CSR commitment and the company overall objectives. The strategic objectives aim to strengthen corporate operations (Werther & Chandler, 2011, p.111). Strategic objectives should be view as strategic obligations goals that enrich the organizations growth; else the daily tactics and strategies will cause conflict between the different stakeholders. In order to accomplish strategic objectives, key stakeholders must undertake strategic advantages in the form of action-oriented projects. Therefore, it is the responsibility of the firm to identify the necessary personnel that can help them achieve their objectives in consistency with the laws otherwise they will cause greater damage to the firms’ sustainability (Werther & Chandler, 2011, p.112).

This conceptual paper integrate CSR activities into the daily operations of the business which make it necessary to have a theoretical model that best explains how strategic CSR create societal value. The strategic CSR model is discuss through the lens of the CSR filter. Thus, this model is appropriate for this paper because it allows the reader to understand how strategic CSR can create societal value.
3.4 CSR Filter

It is also noted that CSR can be integrated strategically through the organizations by becoming an organizational capability, through internal competencies and the organization’s environment (Werther & Chandler, 2011, p.86). Werther and Chandler (2011, p. 87) also posit that tactical and strategic decisions must be evaluated through a CSR filter (see fig 4). A CSR filter defined by Werther and Chandler (2011, p.87) is: “assessing management’s planned actions by considering the impact of day-day- tactical decisions and longer-term strategies on the organizations constituents”. Moreover, the needs for organizations to adopt a sustainable strategy and make it ideal for the stakeholder environment in which the strategy must be executed. The strategy links the firm’s strength with opportunities in environment. CSR filter therefore incorporate numerous societal based considerations into the decision blend that goes beyond profit maximization (Werther & Chandler, 2011, p.92). The different stakeholders therefore form the societal environment in which a company seeks to implement its vision, mission, strategy and tactics

It is also important to note that business leaders should be aware that CSR offer both strategically and economically benefits. Firms should be able to address key stakeholders needs as in the stakeholder theory. This is an avenue for firm to analyze the business environment and frame suitable organizational strategies. This will help them to be competitive when business see CSR as more opportunity than treats (Werther & Chandler, 2011, p. 113).
3.4.1 Leadership

McElhaney (2008, p.19) posits that the senior leadership and management of a firm, including the CSR Officer and the board of directors, must build a trustworthy firm and make public commitment to CSR efforts, and engage with them. In implementing strategic CSR in the firm, leaders must be proactive and receptive to the different stakeholders concerns. Leaders should consistently express their commitment to whatever strategic initiatives an organization chooses to adopt as well as weave it in the corporate culture (Heslin & Ochoa, 2008, p. 141). Heslin and Ochoa (2008, p. 141) also posit that senior management should play a vital role in championing, guiding, and nurturing potential CSR initiatives to become important aspect of the daily operations and thereby a strategic imperative developed, rather than merely a temporary, ostentatious expression of “good will”. The message must be managed – that is to ensure that the firm’s actions are communicated and accepted by the different stakeholders (Werther & Chandler, 2011, p. 143). There must be a formal system of accountability of the board of directors to the different stakeholders and the impact of the organizations on society in general. Ideally, the firm policies and procedures must be transparent, as well as performance measurement must be in place to assess the Social Return On Investment (SROI) and other impacts on society overall (Werther & Chandler, 2011, p. 139). It is also important to note that there are no universally accepted leadership styles. The ultimate goal of a CSR management system is to successfully integrate corporate responsibility concerns – social, environmental and
economic – into a company’s values, culture, operations and business decisions at all levels of the organization, which can help creating the better management practices overall (Johnson, et al., 2008, p. 402).

The CEO must remain in contact with the effectiveness of the CSR policies through regular meetings. The commitment from senior leadership is very crucial for the implementation of CSR to ensure that CSR perspective is part of the strategic direction of the company (Werther & Chandler, 2011, p. 129; McElhaney, 2008, p.19). Also, once strategic CSR is implemented it will be innate progressively throughout lower levels staff. Clear vision of CSR will have to be embedded within the core principles of the firm and be reflected in those principles, and it must be linked to the mission, vision, and strategies of the organization.

The CSR vision identifies what the organization is striving towards (Werther & Chandler, 2011, p.28). For example, BP’s vision of “Beyond Petroleum” is expanded with the clear statement that is does not mean BP is deserting oil and gas, getting out hydrocarbons, or focusing only on alternatives – such as: renewable energy sources. However, BP includes developing new ways to produce and supply oil and gas as well as developing new fuels which in the future will provide new energy choices (Heslin & Ochoa, 2008, p.139). A mission tells what the organization is going to do to get there (Werther & Chandler, 2011, p. 28). While the strategy clarifies how the organization intends to achieve its vision and mission and the tactics are the daily management decisions that implement the strategy. However, this core vision must be explicitly recognize that strategic CSR is fundamental to balance creation of social and environmental value as well as the co-creation of business value with important stakeholders.

### 3.4.2 Strategy

According to Werther and Chandler (2011, p.28) firms strategy simplifies the intention of an organization as to how to achieve its vision and mission this is the first level of strategy. A meticulous definition states: “strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholders expectations” (Johnson et al., 2008, p.3). Hence the array of decisions a firm made will determine and unveils its purpose, objectives, and policies in achieving the identified goals. Werther and Chandler (2011, p.28); Johnson et al. (2008, p.3) identifies three main type of strategies a firm will seek to pursue. Firstly, the corporate level strategy, see to understand the scope and value of the firm. Secondly, business level strategy exists to define the competitive fiber of the organizational environment. That is, which businesses or partnership the firm should involve in. Companies must decide what industry they will function in and how they will employ resources and competencies to gain competitive advantage in a given market or industry. In addition, at the business level, strategy determines how the firm will differentiate its products from those of its competitors. Firms should seek to examine the different components that relate to their current strategies and make an assessment on the different societal impacts: human rights, environmental, social etc.

The third level concerns with the functional strategy of the firm such as operation, human resources, marketing, research and development. The strategy should match the internal competencies with the external environment (Werther & Chandler, 2011, p.28). Hence, CSR cannot be simply a public relations activity; it needs to be a strategic importance that intertwines throughout the entire organization. For example, employees must know that their firm cares about them, so that they can care for the society. CSR efforts should be treated and managed as the core business strategy, just as, strategies of marketing, research and development, capital expenditure or any other organizational development (McElhaney, 2008, p.19).
3.4.3 Organizational Structure

The structure of a firm exists to support its strategy (Werther & Chandler, 2011, p. 91). Cited in Tolbert and Hall (2009, p. 20), Merton (1957) provides a comprehensive definition of structure which suggested that it “involves clearly defined patterns of activity in which, ideally, every series of action is functionally related to the purpose of the organization”. CSR efforts should have reflectiveness in the day to day operationalization and thus call for the direct involvement of top management with board commitment and overseeing (Werther & Chandler, 2011, p. 136).

The organization structure should be design in a way that facilitate the designating of senior official or a committee responsible for overall CSR implementation, improving inter-functional coordination, building CSR responsibilities into employees’ job descriptions and performance evaluations, recruiting people knowledgeable in CSR with appropriate attitudes and skills, and developing regular forums in which to share issues and knowledge across a company (United Nations Economic and Social Commission for Asia and Pacific (UNESCAP, 2010, p. 85).

Visibility for CSR within the organizational structure will demonstrates the firm honest obligation in ways that exceed, for instance, speeches, media, reports, but is implicitly present in the organization through the, culture, stakeholders involvement, communication, transparency and corporate activism and Strategic planning (Werther & Chandler, 2011, p 143). The involvement and commitment of CSR initiatives should be recognized throughout organizational reward systems which can help to integrate strategic CSR in the organizational culture (Heslin & Ochoa, 2008, p. 141). Transparency in both external and internal communication is important for the success of Strategic CSR. Proactive, honest communication with the organizations stakeholders, including discussion of corporate values, activities, successes and challenges is the foundation for building trust (Peters, 2009, p.11).

3.4.4 Competencies

Competencies are actions that a firm can do well (Weather & Chandler, 2011, p. 89). Also core competences are actions a firm does well which are difficult for other firms to match in that area. McElhaney (2008, p.20) provide a clear example of the Ford Motor Company case to explain this phenomenon. In the case of Ford Motor Company Fund’s that supports breast cancer research costing up to 955 million for more than fourteen years to Susan G Komen for the cure. Research has shown that there is no extremely worthy cause that meets substantial need; this is only one of the many social programs that ford supports under the CSR argument. However, there is no strategic link between the Ford’s support for breast cancer research and the building of cars and trucks. Thus, automotive companies know cars, transportation engineering, and design, so maybe support for alternatively fueled vehicles and addressing the global and environmental challenges around gasoline dependency are more fitting to the firm’s core competencies and business strategies of selling more cars. This will allow Ford to be in a better market position if it focuses on more strategically align causes, and the results of its initiatives in these areas may lead to the development of innovative new automotive technologies, which will lead to new products and revenue streams (McElhaney, 2008, p.20).

In order for this initiate to come alive it will requires focus and discipline. Normally, some firm execute CSR in an unplanned and non-integrated way. CSR initiatives can patent in all parts of an organization and if planned correctly and linked to what the firm actually knows, does, or is expert in they will be able to strike a balance between the economic and societal value (McElhaney, 2008, p.20).
3.4.5 Multiple Stakeholders' Environment

A stakeholder is any group or individual with interest in the firm activities (Werther & Chandler, 2011, p.34). CSR should be strictly embedded with multiple actors. These different stakeholders forces changes in the firm operating environment and ideally form the framework for conceptualizing which set of interest are primary to the organization (Tolbert & Hall, 2009, p. 194). The engaging and communicating with the different stakeholders is particularly important to the leaders and the firm’s and thus the reporting of CSR activities to the different stakeholders is one way to enhance engagement and this will build trust (Heslin & Ochoa, 2008, p.130). For example, a Green Peace Campaign against Shell U.K was launch. Shell wanted to dispose of the Brent, an off-shore oil storage tank, by sinking it into the deep waters near Scotland. Shell fail to include environmental advocacy groups in the decision making process and thus Green Peace mounted a costly campaign to stop Shell. Shell was stopped from carrying out its action in Scotland but later move to Norwegian Fjord and cause more environmental harm in Norway than it would have caused in Scotland. Thus Shell lost money, customers and shareholders. Green Peace lost trustworthiness because investigations revealed that it had totally over-estimate the amount of oil left in the storage tank, hence misrepresenting the potential environmental damage that could have occurred. Proactive engagement with stakeholders early in the process would have saved Shell the significant financial and other costs incurred by endeavoring to merely meet environmental regulatory requirements (Heslin & Ochoa, 2008, p.140).

The decision leaders make about the strategy of the organizations will be influenced by the expectations of multiple stakeholders. The different stakeholders group comprise of: Organizational stakeholders - shareholders, employees and managers. These categories reflect the resourced –based perspective as all of a company resources are represented in some way by various stakeholders. Also, a company’s relationship with its stakeholders allows it to make the resources available and productively functional (Werther & Chandler, 2011, p.150). The second group consists of (Economic Stakeholders) which consist of for example, consumers, creditors and competitors. These different groups interact with the firm on the basis of economic concerns. They are important because they create that border between the firm and the wider social environment (Werther & Chandler, 2011, p.150). The third group includes the (societal stakeholders) who affect the firm industry that is – government agencies, regulators, joint ventures partners, communities and the environment itself. These stakeholders will be more and likely provide the legitimacy necessary for it to survive in the long-run. Taking the view of the general public that should be valued by the wider society (Werther & Chandler, 2011, p.150).

Johnson, Scholes and Whittington (2008, p. 601) state that the stakeholders approach recognizes that different set of stakeholders who contribute to and are important to the firm are prone to have differing objectives which must explicitly recognized. Therefore, leaders need to examine (i) which stakeholders will have the greatest influence? (ii) to what extent the expectations and influence of different stakeholders vary?

In summary, having a set structure that facilitates CSR initiatives from an early stage of the organization will be able to manage the different voices of stakeholders. Also, organization with a leader who is proactive and seeks to ensure that the mission, vision and strategy are embedded with the core activities is indeed utilizing the concept Strategic CSR in to their business. As well as utilizing the strengths of the organization to gain competitive advantages and communicating, prioritizing and disclosing the CSR initiatives with all the relevant stakeholders.
4. Social Enterprise

This chapter examines the development of social enterprises by looking at various definitions and two main categories of social enterprise. It also explains the role of social entrepreneurs, social mission, the strategy of the social enterprise as well as stakeholder’s involvement.

4.1 The Emergence of Social Enterprise

The field of social enterprise emerges as an organizational concept, with some conceptualizations referring to the application of business expertise and market base skills to the social sector (Reis, 1999; Thompson, 2008; Boschee & McClurg, 2003) cited in Austin and Seitandi (2011, p.10). A wider conceptualization of social enterprise refers to innovative activity with a social purpose in either the business or nonprofit sectors or as hybrid structural forms which mix for-social and economic activities (Austin & Seitandi, 2011, p.10; Kulothungan, 2010, p.23). Social enterprises lie at the crossroad between non-profit and business organization. They exist in between the public and private sectors, operating in the middle ground where government can act and corporations either will not act or have tried and failed (Alter, 2006, p.5; Kulothungan, 2010, p.20; Defourny & Nyssens, 2008, p.11). Di Domenico and his colleagues posit that social enterprises take the mechanisms of the marketplace and combine them with a social mission orientation in order to achieve a more robust change. They further stated that social enterprise main aim is about achieving sustainable innovative social solutions through a self-sustaining organization (Di Domenico, et al., 2010, p. 682). Social enterprises pursue the triple bottom lines simultaneously and their operational goal is to maximize social-oriented profits (Alter, 2003, p.1). Therefore, social enterprises devote resources to create social impact.

The term social enterprise seems to mean different things to different people and its definition and interpretation varies across the globe (Kulothungan, 2010, p.22; Noya, 2009, p.14). A common understanding is nevertheless far from being achieved and this depends on the different cultural contexts. Social enterprises sometimes relate to the entrepreneurial culture, where the central focus is on the individual entrepreneur rather than collective or community relationship (Kulothungan, 2010, p.22). Social enterprises also refer to non-profit organizations which developed earned income strategies to create revenue to finance their social mission (Kulothungan, 2010, p.22). The concept of social entrepreneurship emphasizes social innovation practices. These practices are undertaken by social entrepreneurs as in a wider spectrum of organizations along a continuum. Ranging from profit-oriented businesses that engage in socially beneficial activities (corporate philanthropy), to dual purpose businesses which mediate profit goals with social objectives (hybrids), to non-profit organizations (Noya, 2009, p.14; Kulothungan, 2010, p.23) (see diagram 4 below).

For instance, social enterprises are viewed in different ways of doing business and are usually located in the third sector (Kulothungan, 2010, p.25). The third sector comprises a variety of organizational types, including social enterprises, which while sharing a commitment to addressing and tackling unmet social needs, are varied in the forms and structures they adopt, the activities in which they engage and the client groups they serve (Shaw & Carter, 2007, p.420). To get a clear understanding of the dynamics of social enterprise, Noya (2009, p.14) presents a list of criteria which includes: the continuity of the production of goods and services; autonomy; economic risk; an explicit aim to benefit community; a decision making power not based on capital ownership and; limited profit distribution. Also distributed governance structure and multi-stakeholder participation is of utmost importance. Taking all these criteria into consideration, Defourny and Nyssens (2008, p.204) summarize social enterprise as follows:

“Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity” (p.204).
Particularly, interesting from this definition is the fact that social enterprise is a part of the development of civil societies and communities. It is also important to note that social enterprise does not work in isolation but are part of significant networks and the different stakeholders view must be taken in account (Durkin & Gun, 2010, p.50). It is evident that the emergent of social enterprises have stemmed from the discourse of social entrepreneurship which seeing them playing distinctive role in society; as these organizations respond to perceive need in a more efficient ways than public, private or traditionally other non-profit organizations (Kulothungan, 2010, p.21).

Nevertheless, social enterprise creates what Kulothungan (2010, p.21) calls a hybrid organizations with the ability of the entrepreneur to mix the social, environmental, ethical values with the economic values. Thus, frame the foundation of social enterprises: collective ownership, collective governance and an explicit purpose to produce social value through economic activity (mission) and strategies (Kulothungan, 2010, p.22). That is, distinguished by their double bottom line—financial and social objectives—social enterprises have the following characteristics:

- Use business approaches to achieve social objectives
- Blend social and commercial capital and methods
- Simultaneously create social and economic value
- Generate income from commercial enterprise to help fund mission
- Are market-driven, but balance market opportunities against social costs

4.1.1 Forms of Social Enterprise

The plurality of social enterprise characterizations can be categorized into two main forms: The Social Enterprise school of thought and the Social Innovation school of thought that is laid out by (Dees & Anderson, 2006, p.41). Within the Social Enterprise School of thought it is centered on the notion of Entrepreneur as individuals who “start their own business”. Accordingly, social enterprise tends to move toward a broader model here, with organizations focusing on the dual emphasis of economic and social value creation being classified as social enterprises. This includes nonprofit organizations which set up income generating business entities to generate resources which go toward reinforcing the organization’s social mission (Dees & Anderson, 2006, p.42). These income generation activities that are undertaken and are not part of the core activities to achieve the social mission, but merely a means of generating the resources needed to support these core activities (Alter, 2006, p.213). This is term External Social Enterprise according to Alter (2006, p.212). An example of such a venture would be the National Zoo in Washington D.C. which sells elephant dung to the public, providing it with a revenue stream to subsidize its own operations (Alter, 2007, p.17). Thus, their philanthropic engagement is usually unrelated to their core activities, but they are attempting to translate positive reputation effects into concrete bottom-line impacts.

Alongside the External enterprise model Alter (2006, p.212) also mention two other models which are: The Integrated social Enterprise and The Embedded Social Enterprise. Within the Integrated model the social programs overlaps with business activities, but are not synonymous. The financing and social programs deployed by the enterprise often share costs, assets and programs attributes (Alter, 2006, p.212). Hence, the social enterprise activities are integrated even as they are separate from the organizations profit operations. This type of social enterprise often leverages organizational assets such as expertise, content, relationships, brand, or infrastructure as the foundation for its business (Alter, 2006, p.212). The Embedded Social enterprise - in this context, business activities and social programs are synonymous. Social programs are self-financed through enterprise revenues and thus, the embedded social enterprise can also be a stand-alone sustainable program (Alter, 2006, p.212). The relationship between business activities and social programs is comprehensive, financial and social benefits are achieved simultaneously (Alter, 2006, p.212).
The second school of thought laid out by Dees and Anderson (2006, p.44) is the Social Innovation school of thought. In this school of thought the focus is on the concept of an entrepreneur as defined by Jean Baptiste Say and Joseph Schumpeter cited in Dees (1998, p.1) as one who “shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” Schumpeter cited in Dees (1998, p.1) also echoed this view and stated that an entrepreneur as one who “reforms or revolutionizes the pattern of production… and are change agents in the economy.” Dees and Anderson (2006, p.44) mention that as such, the dominant theory within this school of thought is the innovation which an entrepreneur conveys to the table in value creation, and in the context of social entrepreneurship, it then involves the execution of “new and better ways to address social problems or meet social needs.” For example, like the Grameenphone’s revolutionary approach that brings mobile communications to Bangladesh. Grameenphone established a new business model with its Village Phone program, where mobile phones were marketed as business opportunities by moving away from the traditional business model of selling mobile phones to individuals. Women in Bangladesh were provided with loans to purchase a mobile phone, which they then operated as payphones, charging other villagers on a per-use basis. This brought both mobile communications access to villages, as well as a source of income for the “phone ladies” (Yunus, Moingeon & Lehmann-Ortega, 2010, p.320). Thus, a social enterprise under this description need not inevitably be a business enterprise as such, but can exist in various legal forms, as long as they are presenting an innovative and effective approach toward meeting social problems.

Dees and Anderson (2006, p. 47) mention that beyond practice, social enterprise without at least some element of innovation is not particularly interesting from a theoretical point of view. They argued that what elevates the Social Enterprise School of thought above the status of simply one kind of nonprofit funding strategy is the intriguing idea of using business methods in new ways to serve social objectives. Like what Alter (2006, p. 206) mentions that money and mission are knotted like DNA; however they are not always balance. Therefore the emphasis given to the economic and social objectives will determine the strategy employed. The hallmark of social enterprise lies in its ability to combine social interests with business practices to effect social change (Alter, 2006, p.205). Hence, the core of the social enterprise lies in the specifics of its dual objectives – the depth and breadth of social impact to be realized, and the amount of money to be earned. The dual mission of social enterprise provides both opportunities and constraints (Alter, 2006, p.205)

4.2 The Role of Social Entrepreneurs

According to studies social entrepreneurs are characterized by very special traits, personalities and ideas (Praszker and Novak, 2012, p. 20-21), abilities (Wei-Skillern et al., 2007, p.12), special leadership skills (Dees, 1998, p.1; Leadbeather, 1997, p.56) a passion to realized their vision (Bornstein and Davis, 2010, p.3) and strong ethical fiber (Zara et al., p.520). Social entrepreneurs make major and various contributions to their communities and societies by adopting business models to offer creative solutions to intricate and long standing social problems (Zara et al., 2009, p.519). Zara and her colleagues identified three types of social entrepreneurs: (1) Social Bricoleurs focus on discovering and meeting local and small scale needs. (2) Social Constructionists mainly exploit opportunities and market failures by filling the gaps to underprivileged persons in order to introduce innovation and reforms and (3) Social Engineers who recognize systematic problems within existing social structures and address them by introducing innovative change (Zara et al., 2009, p.520).

According to Sen (2006, p.539) social entrepreneur creates a radically new solution to a social problem with the potential to show committed vision and unlimited determination as well as intention to revolutionize a whole sector locally and globally. For example Muhammad Yunus spread the concept of micro-credit globally. Mary Montessori changed the education sector by developing a new method of teaching and founded the international Montessori network to spread her ideas throughout the world just like Gloria de Souza, one of the first three Ashoka Fellows elected in 1982 in India, revolutionized education in India by being the first to make experiential, problem-solving education attractive to teachers, administrators, and parents in the South Asian context. Now, over 10 million
children are learning with her approach, and the Indian government has adopted it for use in the schools it administers directly (Sen, 2006, p.40).

Leadbeater (1997, p.8), posits that “Social entrepreneurs identify underutilized resources—people, buildings, equipment—and find ways of putting them to use to satisfy unmet social needs. They also help with innovating new welfare services and new ways of delivering existing services” (p. 8). Themes from both Say (shifting resources) and Schumpeter (innovation) are incorporated in this perspective. Drawing on several case studies, Leadbeater (1997, p.53) proposed that social entrepreneurs are entrepreneurial, innovative, and transforming in their approach to promoting health, welfare, and well-being. Leadbeater (1997, p.53) explain that these skills are the foundation that drive the actions of the social entrepreneur and are imperative for the existence of the social enterprise (1) Entrepreneurial refers to the way individuals undertake under-utilized, discarded resources and how they identify ways of using them to satisfy unmet needs (2) Innovative referring to the ability to create something new. This can be creating new services and products, new approaches of dealing with problems, which is often done by bringing together approaches that was once traditionally kept separately and (3) Transformatory has to do with the way social entrepreneurs tend to transform the organizations they are involved in as well as the neighborhoods and communities they serve by creating opportunities for self-development (Leadbeater, 1997, p.53).

Cited in Bielefeld (2011, p.478); Waddock and Post (1991) also recognized significant leadership characteristics of social entrepreneurs. Social entrepreneurs are able to bind the complexity of the social problems into a vision that has the possible to reshape public attitudes. They generate commitment in others by outlining projects in terms of important social values rather than only economic gains. They have noteworthy personal trustworthiness, which they use to acquire resources and build networks. Social entrepreneur’s background allows them to involve with the social sector and not only allow them to recognize social opportunities, but also allow them to be altruistic citizens who is unsatisfied with the status quo; loyal to their values and philosophy; motivated to act socially responsibly; who value other social entrepreneurs lifestyles, respect and success. With these special qualities, social entrepreneurs enhanced loyalty which is linked to their moral judgment (Mair & Noboa, 2003, p.6).

Praszkier and Nowak (2012, pp 88-89) in an research provide evidence that social entrepreneurs use a bottom up approach, which build social capital and that they avoid top-down methods, which tend to disempower the society. Social entrepreneurs should be recognized by others for their reputation and capabilities (Wei-Skillern, 2007 et al., p.12) to gain trust. While social capital is seen as a form of capital, although unlike other forms of capital, it is integral to the structure of relations between and among actors (Coleman, 2003, cited in Praszkier & Nowak, 2012, p.81). It is the features of social life that is: norms, values, trust and network that enable participants to act together more effectively (Praszkier & Nowak 2012, p.81; Leadbeater, 1997, p.67). The role of trust and shared values that social entrepreneurs possess will further promote innovation (Leadbeater, 1997, p.25) and this will binds together the individual skills and intelligence of the work force with the social enterprise. This can help cements these assets to the goodwill of the surrounding community, suppliers, customers, regulators and other stakeholders. Trust helps to set common goals and behavior to share value (Volery & Mensik, 1998, p.988). Again, social capital is seen as a driving force for the development of societies or organization. Therefore social entrepreneurs with strong social capital will be more successful in battling poverty, undertaking conflicting issues, and taking advantage of new opportunities (Praszkier & Nowak, 2012, p.84).

In addition, social entrepreneurs follow their mission by building social capital which helps to build sustainable projects with an aim to become a societal asset far beyond their stated goals (Praszkier & Nowak, 2012, p.89). They also found out that a significant role of social entrepreneur is merging vibrant productive network (Wei-Skillern, et al., 2007, p.14). Stryjan (2006, p.36) posits that a high level of reciprocal ties between members of a community and the presence of social norms to facilitate action, and thus is conductive to higher economic achievement. Stryjan (2006, p.36) also mentions that this ties that link individuals’ potential also link the resources that those individuals can access,
mobilize through networks or allocate though position in the organization. Thus, social entrepreneurs are a gateway of connecting such nodes into webs so as to provide the desired resource-mix effectively.

To summarize, social entrepreneurs are change promoters in society; they pioneer innovation within the social sector through the entrepreneurial quality of a breaking idea, their capacity building aptitude, and their ability to concretely demonstrate the quality of the idea and to measure social impacts. They are also identified by various characteristics and normally rely on to form trustworthy collaboration to enhance the reputation of the social enterprise.

4.3 The Social Mission

Mission is the initial point that strengthens the holistic process of value creation (Schumpeter 1939, Mintzberg 1987, Hambrick and Fredrickson 2001) cited in Ormiston and Seymour (2011, p. 132). For both types of School of thought, be it, Social Enterprise School of Thought or Social Innovation School of Thought, the explicit aim should be to benefit the community or the creation of “social value” rather than the maximization of profits. This should be the core mission of the social enterprise (Defourny & Nyssens, 2010, p.44).

Significantly according to Leadbeater (1997, p.54) the mission enlightens the goals of the enterprise, which are the explicit targets the social entrepreneur seeks to achieve. He also maintains that the mission of the social enterprise is crucial because it will bring primary stakeholders a sense of purpose and further reiterates that it is not just to create a mission; it also means that the social entrepreneurs have to create different steps to achieve and balance the social value. The importance of the mission being connected to the unmet need is highly relevant, it cannot be too abstract (Leadbeater, 1997, p.54) and the social entrepreneurs have to be good at mission statement, mission related and mission management (Leadbeather, 1997, p.54). A clear mission that is communicated effectively will help to shade prospective investors, employees and customers, forming an implicit contract with them and encourage positive self-selection. It also helps guide key strategic decisions ( Dees & Anderson, 2003, p. 14).

Weerawardena and Mort (2006, p.30) suggest that the social mission is not a sacred goal that has been believed traditionally. Instead, the role of social mission must be understood within the competitive environment where the organizations operate. Weerawardena and Mort (2006, p.30) also observe that the role of social mission goes hand in hand with the sustainability of the organization. For example, formerly in commercial enterprise, the communication of mission is generally perceived to be communicated only to employees and shareholders, outlining the fundamental purpose and values of the organization, with little emphasis given to the importance of communicating to other stakeholders (Ormiston & Seymour, 2011, p.132). The pragmatic shift has led social entrepreneurs to present themselves through their social mission as social actors with a focus on innovation, financially sound business strategy and the desire to benefit society.

4.4 Strategy and Structure of Social Enterprise

Even though, it is the mission that provides direction for social enterprise, it is the operationalization of that mission in strategy that realizes value in the organization (Quarter & Richmond 2001, Dees et al. 2002) cited in (Ormiston & Seymour, 2011, p.132). The literature above raises the importance of innovation; resources capability and collaboration in social enterprises. Therefore, it will be the strategy of innovation that is, the avenue to be active in communities by applying the required resources and vehicle from networking with other stakeholders (Ormiston & Seymour, 2011, p.132) in order to create societal value.

Ormiston and Seymour (2011, p.130) also suggest that strategic network and partnerships are of paramount to social enterprise because they do not function in isolation and therefore expedite the value creation process by expanding through network mobilization. Leadbeater (1997, p.56) mentions
that social enterprise work by bringing people together in partnership to address social and economic problems that seem insurmountable when they address separately. Thus, the major role of networking is to increase access to building and recruiting key volunteers as well as creating an environment capable of growing. The dividend on such transaction is rarely financial, but also social by creating a stronger community that will be able to care for themselves with a stronger bond, trust and cooperation (Leadbeater, 1997, p.70).

Shaw and Carter (2007, p.421) mention that notwithstanding the adopted structure of social enterprises, these organizations operate within complex multi-agency environments that require them to adopt an open and absorbent approach to that environment. Leadbeater (1997, p.81) posits that social enterprise can be characterized by their desire to develop long-term relationships mainly with their primary stakeholders and other client groups in their operating environment. Their orientation distinguishes them from other social economy organizations. Social enterprises do not rely on charitable donations but seek to use trading activities to achieve their social goals and financial self-sufficiency (Shaw & Carter 2007, p.421). Although it can suggests that social enterprises have much in common with profit-orientated business, their commitment to achieving specific social values and their adoption of “social ownership” structures indicates that the process of entrepreneurship may be motivated by different factors and organized in structures which look at the ownership and authority of social entrepreneur (Shaw & Carter, 2007, p.421).

Defourny and Nyssens (2010, p.46) examine the structure of governance of social enterprise and posit that the governance structure of social enterprise can be seen as a set of organizational devices that ensure that the organizations mission is pursued. Based on Defourny and Nyssens (2008, p.204) characteristics of social enterprise which is created by a collective group of people and are governed by them in the framework of an autonomous project. These individuals sometimes receive support from both public and private institutions (Wei-Skillern et al., 2007; Deforny & Nyssens, 2010, p.47) but they are not managed directly or indirectly. However, these external individuals do have a voice in the social enterprise daily operations. Defourny and Nyssens (2010, p.48) also state that based on the collective dynamics and the involvement of the different stakeholders social enterprise create a multi-stakeholders ownership and decisions making power is not based on capital ownership but guaranteeing that its social mission is executed (Deforny & Nyssens, 2010, p.48).

4.5 Key Stakeholders Participation and Involvement

Cited in Matlay and Fayolle (2010, p. 320), Spear (2006) contends that successful social enterprises incline to rely on a range of internal and external stakeholders, whose participation is crucial to socially, oriented entrepreneurial activities. For instance, Dees (1998, p. 60) highlights that most social enterprises represented a mix interaction of key stakeholder relationships that often spur compromising between the different entities entrepreneurial perspectives and activities. The ‘hybrid model’ described by Dees (1998, p.60) of social enterprise (see diagram 5) identify four groups of stakeholders (Beneficiaries, Capital, Workforce and Suppliers) on a continuum which ranged from ‘purely philanthropic’ to ‘purely commercial’. Therefore, the general motives, methods and goals vary in accordance with the different stakeholder’s position on the spectrum. Hence, it is not just social entrepreneurs who influence or contribute towards the success of their social enterprises, but also the involvement and activities of a wide range of internal and external stakeholders.

Once again, social enterprises do not work in isolation; they are interdependent and work in partnership with each other in order to pool resources to develop capabilities that cannot afford on their own (Wei-Skillern et al., 2007, p.15; Durkin & Gunn, 2010, p.52). For example, Starbucks and Green Mountain Coffee Roasters have formed a partnership with Root Capital, a nonprofit social investment fund, to help source coffee from farming cooperatives in the developing world. In this case, Root Capital has provided capital for coffee-washing machines so farmers can meet the retailers’ quality standards. By providing capital and training, and brokering market connections, the
organization helps people in poor, environmentally vulnerable communities around the world achieve sustainable livelihoods (Bornstein & Davis, 2010, p.104).

It is important to involve wider social groups’ decisions making interest in the enterprise. Rispal and Boncler (2010, pp 121-122) state that it is necessary to ensure that trust and understanding of each stakeholder expectations are identified, develop and managed. Share value goes hand in hand with careful positioning of the enterprise that takes government, volunteers, referring agencies, private enterprise, individual donor’s expectations in to mind. This positioning includes effective communications policy which should be developing from the planning stage of the enterprise. In reiterating, this will enhance dependence and mutual understanding of stakeholder’s expectations and provide the enterprise with its return (Rispal & Boncler, 2010, pp121-122). This will also minimize the risk by not focusing on profit but embracing the balanced societal value of the firm that we will be discussing in the next section.

Identifying key stakeholders while taking the wider societal view in to consideration can spur conflict in how the enterprise goes about its value creation strategy (Durkin & Gunn, 2010, pp52-53). Therefore, it is crucial for the social entrepreneur to have skilled in managing diverse number of relationships (Wei-Skillern et al., 2007, p.14). For example, Service providers may be seen as a key stakeholders and need to participate in the decision process as well as the other relevant stakeholders. Thus the decision taken should empower the different participants and jointly identify needs that does not undermine the social aims (Durkin & Gunn, 2010, pp52-53).

The “Hybrid Model”

![The Hybrid model diagram 5 adopted from Dees (1998, p.60).](image)
To summarize, even if there is generally agreement with regard to the drivers of the emergence of social enterprise, the existing academic contributors to a definition of social enterprise and its point of reference are still extremely heterogeneous. Notwithstanding the lack of a universal definition, a social enterprise is usually described as an organization mainly driven by social objectives or needs and run as a business unit that generates revenue for self-financing purposes (Di Domenico et al., 2010, p.682). To meet the social mission, social enterprises create socially or environmentally beneficial products or services, or create employment opportunities for the disadvantaged groups. Social enterprises can be stand-alone organizations, or they can be formed separately by a non-profit organization to support the organization’s social programs and generate funding (Alter, 2003, p.9). They can also be an extension of a for-profit organization – for example, a subsidiary – that enhances the organization’s social objectives.

Social entrepreneurs are pioneered as change agent who uses innovation and pro-activeness to challenge the status quo and bridge the social and economic gap in society. The social enterprise’s mission, vision and strategy are designed to create value and through networking and collaboration the different stakeholder’s expectations are meet to provide a balance between social and economic value.
5. The Concept Societal Value

As stated in the background social enterprises do create societal value, they exist to capture both social and economic value for the society by creating and developing product social enterprise are creating societal value. Societal value is the relationship and the contribution to society as a whole (Rispal & Boncler, 2010 p.114). Social enterprises aim to act upon individuals by acting upon their situation, which intimately linked to their immediate problems. Such a process promotes interactive connection, which enhances societal impact of the enterprise. Social enterprise tends to seek to build a more humane, environmental friendly, ethical society and select a business activity that is in society’s best long-term interest (Rispal & Boncler, 2010 p.114). Beyond, the partnering organizations and their individuals, social enterprise collaborates to generate social and economic value for the broader external community and society holistically. The interaction between the enterprise and the different stakeholders are becoming the locus of value co-creation. That is, taking into consideration that the concept value is inherently and by jointly constructing value that benefits both parties, synergistic relationships can be developed as stated earlier. It is evident that the creation of economic and social value from the different stakeholders perspective discussed is particularly important to social enterprise. Balancing value through collaboration is definitely the vehicle that will vehemently create more value for the future of the business, than if it was done alone (Austin & Seitanidi, 2011, p. 12).

It is also important to realize that the primary objective of social enterprise is to use either business or organizational skills to create social value through innovation. Economic value creation serves as the means to that end rather than the primary end in itself (Myers & Nelson, 2010). Quoted in Myers and Nelson (2010, p.275), Emerson (2003) notes that most organizations create a combination of economic and social benefits. However, the significant questions one may ask is to what extent the stakeholders of the venture, including the founder, the team, the customers, the vendors and the donors, seek different types of return/value?, and in what combination do they seek these return? It is within this view, that the legal form of corporation that is for-profit, not-for-profit, for example, becomes a strategic optimal for the social entrepreneur rather than simply an established authoritative. The legitimate form can be a tool for reaching the purpose; also the organization structure can become a tool in pursuing the mission (Myers & Nelson, 2010, p. 275). As stated in the background, societal value can be conceptualized through the following concepts: social value and economic value and thus explain as follows:

5.1 Social Value

Mair and Martí (2006, p.39) state that creating social value is of priority concern in a social enterprise. Cited in Austin and Seitanidi (2011, p. 9), Portocarrera and Delgado (2010) conduct a study based on 33 case studies throughout Latin America and Spain. They elaborate on the concept of social value produced by socially inclusive market-based initiatives involving the low income sector. They define social value as: “the pursuit of societal betterment through the removal of barriers that hinder social inclusion, the assistance to those temporarily weakened or lacking a voice, and the mitigation of undesirable side effects of economic activity.” Portocarrera and Delgado (2010) cited in Austin and Seitanidi (2009, p.9) also mention four categories of social value: (a) increasing income and expanding life options resulting from inclusion as productive agents into market value chains; (b) expanding access to goods and services that improve living conditions; (c) building political, economic, and environmental citizenship through restoring rights and duties; and (d) developing social capital through constructing networks and alliances.

Young (2006, p.57) states that social value is experienced, negotiated by stakeholders and is contingent - depending upon the context. Social value creation is about resolving social issues such as generating income for the economically excluded or delivering medical supplies to poverty-stricken areas of the globe just to name a few and requires innovation just as economic value creation in the commercial sector does (Dees, 2001, p.5). That is, it refers to wider non-financial impacts of programmes, organizations and interventions, including the wellbeing of individuals and communities.
5.1.1 Innovation

Social value is also created through innovation according to Mulgan (2007, p.22). Innovation, as an outcome of synergistic value creation according to Austin and Seitanidi (2011, p.4) is one of the highest forms of value creation because it produces a completely new form of change due to combinations of different collaborator’s unique assets. Mulgan (2007, p.23) also states that innovation starts by careful observation of the society’s needs: "The starting point for innovation is an awareness of a need that is not being met and some idea of how it could be met." Mulgan (2007, p.23) also suggests that the second step in the innovation process is to test the idea in practice. He expounds on the idea by citing Samuel Beckett: "Try again. Fail again. Fail better." The following step in the process of social innovation is scaling up and spreading the project, which generally requires adequate management of resources, financing. The final stage is practice, which affects the evolution of the social venture and possibly results in new adapted outcomes different than those first anticipated. For innovation to come to reality there must be cooperation between the different entities in order to produce viable and sustainable results (Mulgan, 2007, p.23).

Dees (2001, p.4) highlights how the structural components of core programs in social enterprise should be innovative as well as how they seek way to ensure their venture will have access to resources as long as they creating social value. Innovation is continuous act of creativity by exploring, learning and improving, Weerawardena and Mort (2006, p.28) as well as social enterprise strives to achieved innovativeness not only in new ways of influencing the sector but also in the service deliver as well. However, innovation within social enterprise does not only occur through providing social needs and empowering employees. But conforming to the Schumpeterian view, innovation occurs through the employment of new resources or through seeking new combinations of existing resources. In terms of social enterprise, innovation occurs through the possible combination of the following: new products of services, benefitting from deep knowledge in corresponding areas, new methods of research, seeking new technologies and finding new suppliers (Weerawardena & Mort, 2006, p.28). Ormiston and Seymour (2011, p.130) suggest that social entrepreneurs are challenge with developing new innovative strategies that will creatively disrupt market failures.

5.1.2 Social value chain

Dees and Anderson (2006, p.58) mention that the primary intention of social enterprise has to be the creation of benefits for society. There are numerous ways in which a social enterprise can create social value. In a previous paper on “For-Profit Social Ventures”, Dees and Anderson (2003, p.3) proposed that a simplified version of Harvard Strategy professor Michael Porter’s ‘value chain’ framework could be used to identify the major activities through which an enterprise can create value (Dees & Anderson, 2003, p.3).

Simplified version of Social Value Chain

Diagram 6 adopted from Dees and Anderson (2003, p.3).

This outline can be extended beyond the for-profit sector to provide a basic framework for ways in which social enterprises innovation can combine with philanthropic and business methods to create or enhance social value. Thus, social enterprise can create social value at any of these steps above in the process (Dees & Anderson, 2006 p.52).
For instance, at the procurement level, Café Campesino a fair trade organization provide specialty coffees by only purchasing coffee grown in socially and environmentally responsible ways, from democratically managed, small-scale farmer cooperatives. Social enterprises, through social entrepreneurs can use their purchasing practices to harvest social value by purchasing from the disadvantaged suppliers or involved in environmentally friendly purchasing (Dees & Anderson, 2003, p. 4). This fair trade system aimed at offering the most disadvantaged producers to move out of poverty through creating market access under beneficial terms (Fleming and Jones, 2013, p. 91). Social value is also created when producers are empower to develop and open their businesses to the wider communities though international trading (Fleming & Jones, 2013, p.91).

Employment practices also create social value, for example, Cooperative Home Care Associates was established to create high quality paraprofessional jobs for low income women that simultaneously empower the women to improve the quality of the home health care industry ( Dees & Anderson, 2003, p. 4). Today, Corporate Home Care Associates now employs more than 2,000 staff. Together with PHI, a nonprofit founded by CHCA in 1992, CHCA maintains an employer-based workforce development program that provides free training for 600 low-income and unemployed women annually and serves as a significant driver of employment in the Bronx.

Designing the product or services also have inherent social value. Consider Munir Hasan at the Mathematics Festival where he instituted mathematics festivals, known as the Bangladesh Mathematics Olympiad, where students would enjoy competing in regional and national contests. On the day before the actual challenge, students would meet, play, and sing. The following day, they would freely discuss math problems with teachers. The festive atmosphere motivated students, teachers, and the local governments. These developments, in a feedback loop, engaged parents and school principals as well as potential donors to educational programs. Thus, eventually transformed the entire educational system and Bangladesh had become a participant in the International Mathematics Olympiad (Praszker, & Nowak, 2012, p.3). Also, take for instance, K-12 education, which has private benefits for consumers but also benefit the wider society. This organization strives to provide young persons from under-resourced communities with a high quality education, while also nurturing responsible citizens and future leaders (Dees & Anderson, 2003, p. 4). Other example includes products that are more environmentally sustainable or are aimed at easing a major social problem, such as hunger, drugs and crime (Dees & Anderson, 2003, p. 4).

The production process involves social enterprises develop strategies to produce and deliver goods to serve social purpose. Social enterprise collaborates with relevant community stakeholders and participants to implement idea. The Green Mountain Energy Company provides over 500,000 clients with “cleaner electricity” from sources such as: water, natural gas and wind. These actions help to minimize the dependency of oil internationally ( Dees & Anderson, 2003, p.4).

Marketing to target customers – social enterprise serve in this category by targeting particularly disadvantaged market in a way that benefit both individually and society on a whole. For example, help to provide housing solutions for the homeless, family planning for the poor and food for the needy all fall into this category. A well-known example is Yunus who provide credit to the disadvantaged small business owners who could not get access to money to start their business ( Seelos & Mair, 2005, p.243 ). Grameen Bank pioneer this concept in Bangladesh over twenty years ago by profitably extending credit to landless, poor, and mainly women who had no credit history or assets to secure these loans but rarely defaulted due to the success of peer-lending groups that evaluated, monitored and supported the borrowers ( Dees & Anderson , 2003, p.4). Grameen Bank was able to create social value for these women.

In summary, these examples help to illustrate the range of social and economic value in social enterprise. They occur in all fields of the social sector, varying widely with regards to their methods of creating value and the particular mix of business and social (philanthropic) elements. They have also attained some degree of scale through various means for instance in the case of Muhammad Yunus we could say that he demonstrate social systemic change.
5.2 Economic Value

Uniquely, Social enterprises co-create the production and provision of goods and services to generate economic. Social entrepreneurs are responsible for economic capability and ensure autonomy by securing financial resources from public bodies, private enterprise and operating revenue (Rispal & Boncler, 2010 p.115; Wei-Sillern et al., 2007, p.14). Altogether, many social enterprises operate locally; some have a community or society-wide impact and mostly characterized by limited resources (Wei-Sillern et al., 2007, p.14). Typically, they emerge as a response to the lack of facilities and services in communities, both urban and rural. Resource constraints sometimes push social enterprise into finding innovative ways of using existing resources and acquiring new resources in order to both achieve financial sustainability and generate social value (Di Domenico et al., 2010, p.683).

5.2.1 Employment Development

One of the first economic values social enterprise creates is the most obvious one because it is shared with entrepreneurs and traditional businesses alike: job and employment creation (Nagler, 2007, p.4). Social enterprise harness economic forces to create employment for economically impoverished groups who seen to be taboo, dysfunctional, or underserving in some way (Young, 2006, p.67) Leadbeater (1997, p.24) posits that through social enterprise viable jobs and businesses are created. Thus, help to reduce unemployment and generates valuable output this benefits the economy as a whole, as well as the communities involved. For example, schemes are set up to regenerate housing estates will have measurable benefits in terms of reducing vandalism and crime as well as upgrading the housing stock (Leadbeater, 1997, p.24). This, in its truest sense is creating social and economic value. Most of these schemes involve upgrading the skills of the people involved to make them more self-reliant. This investment in human capital has some economic value, even though it might be difficult to capture this in monetary terms.

5.2.2 Equity

Economic value also captures a more equitable society which is an objective for most economic development policies. Alter, (2007, p. 4) states that complementing the equity promoting activities of Non-profit and public organizations, social enterprises address social issues and try to achieve ongoing sustainable impact through their social mission rather than mainly profit maximization. For example, the reintegrating of the disadvantaged groups into the labour market and being able provide goods and services to the poor. This is visible through Yunus’ Grameen Bank and it does provide support for the disadvantage women in India (Yunus et al., 2010, p.308).
6. Discussion

This chapter forms a theoretical discussion and supports the hypotheses: *Strategic CSR is a way to create societal value in social enterprise*. The research question of this thesis is how can Strategic CSR create societal value in Social Enterprise? In this chapter the findings are examined and reflected on through previous theory. Our purpose of this thesis has been to discuss how strategic CSR could be used by social enterprise to create societal value. We will now discuss the research question having our purpose in mind. Literature was useful for explaining and discussing the topic for this conceptual paper. The literature enabled us to answer this research question.

6.1 How can Strategic CSR create societal value in Social Enterprise?

Strategic CSR has captured significant attention in the management literature. The main contribution of this thesis therefore offers some theoretical evidence as to, how strategic CSR create societal value in the social sector. Specifically, the findings in this paper suggest that the line between for-profit and social enterprise has common threads, such as: strong networking body, management of resources, trust and loyalty in the enterprise, just to name a few (Wei-Skillern et al., 2007, p.12). The concept strategic CSR has it commonalities in the field of social entrepreneurship. As a result, this thesis supports the Strategic CSR literature advanced by Porter and Kramer (2006); Werther & Chandler, (2011); UNESCAP, (2010); Maas and Boon (2010) who argue that by focusing on areas where social and economic interests are combined and where organizations apply the necessary resources to help solving social problems. This will lead to a more sustainable firm in the long term. The more closely tied a social issue is to the company’s business, the greater the opportunity to control the firm’s resources and capabilities to benefit society (Porter & Kramer, 2006, p.10). Following this perspective we conclude that the strategic CSR process yield social and economic benefits to ensure sustainability in organization.

Earlier conceptualization of business was primarily motivated by profit and ethical concerns. The emergence of social enterprise and Strategic CSR has challenged the idea that profit should be the main concerns of business (Bornstein & Davis, 2010, p.101). The concept strategic CSR calls for a balance between social or environmental and economic value. This is so because the benefit of one value should not undermine the value of the others (Werther & Chandler, 2011, p.62). On the other hand, social enterprise is developing business models to sustain the organization without losing the focus of their social mission. That is, they are addressing societal issues by creating “shared value” and this is leading them towards self-sustaining solutions (Porter & Kramer, 2011, p.16). Social enterprise has the ability to create both economic value and social benefit simultaneously. Such as: improving environmental performance, reducing disability, improving education, providing jobs etc.

Our findings points us to researchers such as Dees and Anderson (2006, p.49) who have recognized that many social issues have important economic dimensions. Social responses that neglect the economic context are likened to be “band aid” that simply cover the problem and generate more issues. Therefore, long term sustainable solutions such as; poverty is likely to depend on an economic component that helps to bring more low income people into the economy. For instance, Muhammad Yunus, and other social entrepreneurs have been able to accomplish this task by providing affordable access to financial services and markets, while other social entrepreneurs have started business to train and employ disadvantaged people (Yunus et al., 2010, p.316).

Also, arising from the literature, researchers in the strategic management field provide arguments that can be used to explain strategic CSR in the social entrepreneurship spectrum. The literature provides some fundamental guidelines how strategic CSR create societal value in social enterprise. Werther and Chandler (2011, p.145) explain that the incorporation of strategic CSR called for innovation and assigning of passion leaders, who are mission oriented with a desire to have CSR initiatives integrated in the strategic planning and daily activities of the organization. The appropriate strategies and organization structure should support the initiatives as well. Predominantly, social enterprises, like for-profit organizations identify, incorporate and manage the different stakeholders concerns in the
decision making process. This help to strike a balance between the social and economic value within social enterprise.

6.1.1 Innovation

Social enterprise strives to achieve societal value through the display of innovation and pro-activeness. This is done by conforming to the desire to achieve social mission and maintain the sustainability of the organization. In doing so, social enterprise is alert and constrain by internal and external environmental dynamics (Weerawardena & Mort, 2006, p.32). Yet, social entrepreneurs have to interact with a turbulent and dynamic environment that forces them to seek sustainability, often within the context of relative resources stricken. The competitive environment also requires them to adapt to competitive posture in the areas of funding and delivering of services, thus, responding in a similar way like for profit business do in turbulent and competitive environment, that is, integrating and balancing social, environmental and economic value for long term survival.

When examining the social enterprise literature, innovation is an important outcome, to justify how strategic CSR create societal value in social enterprise. Just as how innovation occurs at the intersection of, for example, biology and computer science – a great deal of innovation have emerged at the intersection of the social enterprise and traditional business (Bornstein & Davis, 2010, p.99). Based on the findings it appears that social enterprise is identifying, incorporating and managing the different stakeholders into the actual planning and activities of the enterprise. Social enterprise identify opportunities develop products and services (collaboratively), satisfy clients, motivate volunteers and or staff members and manage relationships (Bornstein & Davis, 2010, p.100). Strategic CSR aims to bring the business perspective into the social sector and innovation is the key that unlock that potential. The unintended consequences of social entrepreneurs role in resolving problems by drawing different people beliefs and values helps to unlock innovation (around product or service development), enhanced reputation (via community participation) and exploit social competences by forging quality balance between social, environmental and economic process (Fleming & Jones, 2013, p. 92).

Supported by Helsin and Ochoa (2008, p.129) through strategic CSR individuals can learn from various projects and this learning can flow back and drive new innovations and help build the core competencies of the organization. By engaging and improving relations with volunteers, social enterprise help in creating new business models that involved the combination of new ideas from outside the enterprise with an understanding of the existing business model. Aligning Strategic CSR efforts with the core competencies by using the organization unique abilities to benefit society will see the organization achieving sustainable results with regards to both their stakeholder’s needs and their own competitive advantage. Also while providing substantial benefits to the society, social enterprise can gain opportunities to learn how to apply their strengths in new business models, improve employees’ intrinsic motivation and stimulate beneficiaries demand and develop the enterprise attractiveness. They can also maintain and even strengthen their identity by aligning their social and economic activities with the overall mission, vision and strategy (Bruch & Walter, 2005, p.57).

6.1.2 Leadership

Research has confirmed leadership’s pivotal role in initiating and developing strategic CSR programs within business organizations. Social entrepreneurs, like business leaders are receptive, proactive and intricately work with “grassroots” people and other stakeholders to catalyst social change. The role of social entrepreneurs in guiding social enterprises towards a more sustainable organization is usually complex and requires unique leadership skills, abilities, passion and drive. Gunn and Durkin (2010, p.40) purports that social entrepreneurs are visionary leaders – with a passion to realized their vision and Zara et al. (2009, p.520) confirmed that they are responsible and ethical leaders. Responsible leaders are concerned with reconciling; aligning the demands, needs, interests and values of
beneficiaries, donors, employees, suppliers, regulators, environment, communities and the wider society. Societal value can be created when social entrepreneurs communicate an innovative vision, energize other participants and accelerate the innovation process. As well as harnessing volunteers and stakeholders to be committed to the vision, values and culture of the organization, while maintaining the importance of the mission (Bielefeld, 2011, p.478).

Effective communication about CSR initiatives identify and target the most important stakeholder groups and provide them with relevant information. This information should integrate into a guideline that covers all the social enterprise activities in the CSR field, including the social and environmental effects of the day-to-day operations (Bruch & Walter, 2005, p.57). Also, social entrepreneurs accommodate their stakeholder’s preferences for more than simple one way information. They actively involve stakeholders in dialogue and allow for their participation in important decisions related to CSR.

We also recognized that leaders are challenged with the mandate of incorporating business activities into the social stratosphere and this adds another dimension which is capacity building. They have to seek external help in projects and other activities. Also, social entrepreneurs have to determine how well the enterprise uses the necessary resources and through collaboration design programs around the needs of the client in accordance to the dynamic market pressure (Alter, 2003, p. 82). In addition, social entrepreneurs, like business leaders build social capital which is important to the structure and relations of the different actors involved in the enterprise (Coleman, 2003, cited in Praszker & Nowak, 2012, p.81). Through social capital, trustworthy relationships can be formed in order to promote progress in accordance with environmental and regulative principles as well as other institutionalization and its support and economic values.

Another key point is that strategic CSR also entails substantial commitment on the part of the leader. This requires sound planning and careful implementation and social entrepreneurs have been clearly focusing on their social activities, as said before, in order not to drift away from their strategic focus. They aim to operate within a balance environment and seek to utilize volunteer’s unique expertise and try not to develop total reliance on financial resource.

6.1.3 Social Mission

In the context of the mission, this thesis supports the notion for value to created organizations should have clearly defined mission. The mission should not reduce to create private benefit but aim to accomplish its purpose. For example, in the case of Grameen Bank the understanding of the social impact requires careful attention to the mission driving its activities. Therefore, as Yunus explained, “Grameen created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable terms enabling the poor to build on their existing skills to earn a better income in each cycle of loans.” By so doing, the Grameen Bank has been able to fulfill its mission, which focuses on helping the poor to help themselves out of poverty, particularly women (Yunus et al., 2010, p.316).

The mission and vision are the most direct indicators of enterprise core beliefs. Social entrepreneurs are aware of the importance of clarifying the mission in order to identify the organizations goals and benefits from an early stage. The social mission when communicate effectively and understood by all it stakeholders will help in leading to key strategic decisions (Dees & Anderson, 2003, p.14). When the mission is focus then an organizational fit can become synchronize where the social and economic values and strategies can find greater congruency as a result of working together. This will enable sustainability and developing deeper relationships and trust among the different actors within the social enterprise and its wider community (Austin & Seitanidi, 2011, p.22).
6.1.4 Strategy and organization structure

Another observation from the literature is the strategy deployed by the social enterprise in fulfilling the blended value in the organization. In order, not to compromise or drift from the core purpose of the organization, social enterprise has been developing business models to help with the sustainability of the firm. Like profit business, social enterprises examines and understood the scope and value of organization, as well as, know how the necessary resources will be employed to gain competitive advantage. Hence, strategic CSR can be used in social enterprise as a way for organization to create a balance between economic and social development. For example, social business initiative such as the Grameen Bank contributes to business infrastructures in creating innovative banking products, but also ensures social development in providing wages to an unprivileged population. However, the structure of the organization exists to support the strategy. The communication channel is usually transparent and social enterprise mostly adopts a bottom up approach and through collective effort seeks decisions from the external and internal environment in their daily operations. The decision making is not based on capital ownership but ensuring that the mission is executed in accordance.

The discussion in this article Alter (2006) confirms that social enterprise has to meet stakeholder’s expectations while diversifying their funding streams to capture value. We conclude that social enterprise has to develop some form of strategic framework for establishing means of financing. Thus the income earned and the financial leveraging will enable the social enterprise to formulate even more new programs that relates to investments and thus ensure that the organizations will continue in the future (sustainability) .Therefore, the value from doing such action is helping them co-create even more value by forming synergistic relationships.

6.1.5 Stakeholder Participation

Social enterprise collaborates to generate social and economic value while taking the wider societal environment into consideration. For instance, social enterprise like Café Campesino a fair trade organization collaborates with small famers and purchases their environmentally friendly coffees (Dees & Anderson, 2003, p. 4). Also, Starbucks and Green Mountain Coffee Roasters have formed a partnership with Root Capital, a nonprofit social investment fund, to help source coffee from farming cooperatives in the developing world. These collaborations speak to the fact that social enterprises are jointly working with other external stakeholders to help create social, environment and economic value. They are intricately involved in dialogue and decisions makings process to enhance the betterment of the society.

By, identifying, developing and managing the expectations of the stakeholders, social enterprise minimizes the risk of losing the focus of their mission. Also, by incorporating the stakeholders concerns into the enterprise activities this provides avenue for more sustainable decisions to be made. Managing relationships with primary stakeholders however can result in much more than continued participation in a firm. Effective stakeholders’ management realities with the various stakeholders can constitute intangible socially complex resources’ that may enhance the social enterprise ability to continue in terms of long term value creation.

Equally important is the aptitude for networking and cooperation. Because of its inter-sectorial nature, social enterprise has a strong ability to establish and manage multiple stakeholder relationships. As well as, the ability to build external relations this is also critical to establishing legitimacy with different constituencies. Hence, a strategic CSR capacity can demonstrate a direct linked to the success of social enterprise initiatives. In addition, through networking and cooperation social enterprises are able to form new partnership, engage in serious dialogue with stakeholders, gain insight into stakeholder interest and acquire new expertise. Thus transparency, accountability, society reputation and recruiting can be visible through this method.
Thus, the findings suggest that Strategic CSR can be conceptualized as a way to create societal value in social enterprises, involving innovation, social entrepreneur’s pro-activeness, strategy, mission and stakeholders participation. These guidelines are consistent with literature in the strategic management domain that identifies the similarities between social enterprise and commercial business.
7. Conclusion

In this chapter, the conclusions of the thesis will be presented as well as scope for further research

7.1 Conclusive Arguments

The conceptual thesis is conduct around one central research question, it examine how strategic CSR create societal value in social enterprise? The findings of the research question provide discussions about the purpose - how strategic CSR could be used by social enterprise to create societal value. In accordance with literature in the management arena which reflects on the importance of CSR to incorporate in the strategic planning and daily operations of the business, the social enterprise literature also identify areas which have shown that strategic CSR could be a way to create societal value in social enterprise. From the previous strategic CSR and social enterprise literature we have identified five areas how strategic CSR could create value in social enterprise (1) innovation (2) leadership role (2) mission (3) strategy and organizational structure and (4) stakeholder’s involvement.

By taking a strategic approach social enterprises are able to determine the different activities in the social value chain and devote the necessary resources to help them provide a balance between social and economic value. Strategic CSR aims to bring the business perspectives into the social sector through innovation and proactive leaders who are willing to manage and communicate the interest of all the relevant stakeholders.

Leadership in social enterprises is a way how to create social and economic value in a sustainable way and to ensure that all the different stakeholders concerns are identify, incorporate and manage into the strategic planning and daily operation of the enterprise. This thesis reveals that through social entrepreneurs, social enterprises are able to reconcile and align stakeholder’s needs, interests and values in order to accelerate strategic CSR process. Particularly important is the area where social enterprises are developing strong social ties with the different stakeholders and this is enhancing community participation and the reputation of the social enterprise. More and more synergistic relationships are forming and this is breaking the ground for further co-creation of economic and social value to take place in social enterprises.

Additionally, the strategy and organizational structure of social enterprises exist to maintain the core mission, objectives and tactics. Thus, by developing these strategic objectives, social enterprises are taking the opportunity of collaborating and forming more business models taking the wider societal considerations into the strategic planning process and balancing the fit between the enterprise obligations and societal interests.

Also, by having the participation of the different stakeholders in the value creation, that is, where social enterprises are developing new products and or services they are able to have a redefined balance between social, environment and economic value for the society. Furthermore, through the integration of the different stakeholder’s voices where benefit of one stakeholder does not undermine the value of the others, social enterprises are able to meet the interest of the invested stakeholders. In addition, social enterprises are able to coordinate with various actors and help to form multiple stakeholders’ relationships which will help them in the future. This is so because most times they struggle with the necessary resources to maintain the sustainability of the enterprise.

Thus, strategic CSR involves the inclusion of both the external and internal environments. Social enterprises are engaging with and using knowledge from multiple stakeholders and committing appropriate strategies for the survival of the firm. Hence, strategic CSR is a way to create social and economic value in social enterprise. Taking into consideration that they must be aware of the different constituents and able to understand, manage and formulate actions that culminate in the demonstration of social, environmental and economic value towards their stakeholders.
7.2 Recommendations for Further Research

During this journey, we have become aware of the complexity of satisfying multiple stakeholders and the degree of value that social enterprise created for their stakeholders. We believe that it would be of great interest to analyze whether the balance that exists between social and economic value in social enterprises should be similar to that in profit organizations. As well as, how can social enterprise measure those return/value to their stakeholders? Theories have taught us about the important link between enterprise core business activities and its CSR activities. It would be also interesting to further discover through empirical study how the blended value in projects that tied to the core business activities can create sustainable projects.
Reference:


