

# Social Enterprise and Creation of Social Value Chain

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**Abstract**—The main aims of the study are twofold. First is to understand how social enterprises create social values, and second is to evaluate how the values further grow and create other positive social impacts. While a large number of studies on social enterprise has been conducted to assess the benefits to the society, how the benefits create a spill over effect is yet to be well researched. Hence, there are limitations on linking social enterprise to sustainable development. Given the nature of the study context was exploratory, the study was conducted using the qualitative method, with the focus on six cases of social enterprises in Malaysia. The data was analysed using the constant comparison approach and thematic analysis. The analyses suggest two main findings. One is how the strategies of the business model is imperative in creating the values, which are the management, process, product and service, and marketing. Two is the creation of social values, and their chains. These social values are the creation of partnership inter-innovations, which foster for sharing economy, and further enhance social inclusion and finally cultivate social empowerment through shared ownership, financial independence, self-sustainable and strategic alliance. As the world is facing complex social and economic issues, we suggest social enterprise as an agenda for creating a sustainable public wealth. Research implications and future research are discussed.

**Keywords**— *social enterprise, social innovation, sustainable development goals, social impacts, social value chain*

## 1. Introduction

A social enterprise (SE) is a commercial business which is established with the main agenda of creating positive social changes and social values. Through a detailed conceptual work based on the third sector economy philosophy, [1] defined social enterprise with both economic and social indicators.

Economically, social enterprise is a continuous activity producing and/or selling services, involves a high degree of autonomy, comprises a significant level of economic risk and a minimum amount of paid work. In the social context definition, social enterprise aims at benefitting the community, launched by a group of citizens, a decision-making power not based on capital ownership, a participatory nature and limited profit distribution. A simpler definition is offered by [2] which is “process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs”.

Social enterprise originated from social economy; an area that focuses on not for profits strategies that attempts to increase society income, thus contributes to social and community development [3]. As more and more societies are engaged, people look at social enterprise as a tool of alternative economic empowerment for the less fortunate communities. Years ago, [4] claimed the concept was rarely discussed. However, social enterprise is now making a major breakthrough and has become one of the agendas in many institutions, for instances the Social Enterprise Initiative at Harvard Business School, Social Entrepreneurship Program at both Stanford Graduate School of Business and Said Business School, University of Oxford.

Social enterprise is not only targeting at the social and economic issues. But what is more important is the creation of the shared values. Shared values as indicated by [5] focus on the connections between societal and economic progress and has the power to unleash the next wave of global growth. The concept fits with the social enterprise operation and strategy. While many researches have indicated the goals achievement of the social, economic and environment, the social value chain is less focused. Therefore, the study aims at understanding how social enterprises create the social values, and how

the values grow and create other positive social impacts.

## 2. Review of Literature

### 2.1 Social Enterprise

In understanding the social enterprise as a model, the matrix of public-private and commercial-social offers a basic visualization. As depicted in the 2x2 grid as Figure 1, social enterprise is in the category of private-social business model.

		Primary objective	
Ownership		Commercial	Social
	Private	Private enterprises	Social enterprises
	Public	Public enterprises	Public administration

**Figure 1.** Classification of social enterprise model. Source [13]

In this instance, [6] categorized social entrepreneurship as non-profit organisations, the initiatives of social entrepreneurs directed at certain social problems, and the socially responsible practices of commercial business engaged in cross-sector partnership. Social enterprises were developed by the non-profit sector and the main concern is not for profit-making [7]. Although the main goals are not to generate income and profits, SE activities are still governed by financial and operational supports and engage in commercial business practices [8]. In describing what makes a social enterprise, [9] gave its definition by focusing on the root focus of explanation. The definitions are depicted in Table 1 below.

Understanding the root of social enterprises and how they differ or similar will help in capturing a better essence of how they are fundamental in social and economic development. Based on [13], social enterprises should fulfil the following criteria:

- i. it must be driven by a social mission (i.e., abstain from distributing profit to shareholders);
- ii. it must generate for positive externalities (spillovers) for society;
- iii. it must recognize the centrality of the entrepreneurial function;
- iv. it must achieve competitiveness on markets through effective planning and management.

However, the classification could further be

entangled by focusing on the different types of social enterprises. A work by [14] outlines SE which is based on profit/nonprofit-orientation and sources of funds which draw into three major categories; 1) Leveraged non-profits, 2) Hybrid non-profit ventures and 3) Social business ventures.

**Table 1.** Social Enterprise Definition

Focus	Description	Source
U.S	Individual accomplishments of highly innovative social activists operating in the market economy	[10] Kerlin (2010)
Europe	Organizational form that belongs to the “social economy” where social benefit is the main driving force.	[11] Kerlin (2006)
U.K	Business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. This definition is largely adopted by European scholars and denotes an institutionalised form of business with social aims (Defourny & Nyssens, 2008)	[12] Department of Trade and Industry [DTI] (2002)

Source: [9]

### 2.2 Social Enterprise and Social Value

The values of social enterprises could be classified social, economic and environment benefits. Reviews from selected publication indicate social enterprises work are diverse, ranging from community development [15, 16, 17], basic needs provisions [18], agriculture [19] and healthcare [20]. Comparing between the values based on the triple-bottom line indicator, most research reported more on the social and economic benefits than the environment outcomes. The social outcomes or values include were measured as social ecology, health and wellbeing, education, employability and quality of life [15, 16, 18, 20, 21]. Based on [15], it was concluded social enterprise work on community development focusing on education, nursing care and child care are significant in improving the social performance and quality of life. Similarly, [17] found providing remote jobs and community programs for the indigenous improved community-based pathway for increasing economic

participation and employment. On the other hand, the economic values were measured as financial performance, organizational performance, stakeholder relationship and socio-economic improvement. Evidence of the work include [18, 19, 21] How social enterprise initiatives create a positive relationship between relationship governance, partner selection and alliance performance has been investigated by [19]. Moreover, the performance value was the work of [20], and it was concluded pricing, product and channel management determine the economic and performance value. Although the environment value was least investigated, there are still evidence social enterprise provide positive reflections to the mother nature. Energy product and distribution, telecommunication, analysis of drinking water was the focus of work of [18] and it was concluded the community initiative has a positive result to energy and CO2.

### 2.3 Value Chain Model

Value chain analysis was introduced by [22] that highlights on how organizations could create values to their customers. When more values are created, the organization would have a competitive advantage. The value chain focuses on systems and how inputs are changed into the outputs. The concept of value chain is depicted in Figure 2 below.



Figure 2. Value Chain Model [5]

The work of value chain is further advanced by Porter by emphasising on shared value. It leverages the unique resources and expertise of the company to create economic value by creating social value [5]. Porter's shared value characteristics include economic and societal benefits relative to cost, joint company and community value creation, integral to profit maximization. An example of shared value is transforming procurement to increase quality and yield. The concept of value chain and how it adds values to the operation has become the focus of

many researchers, including [23]. In another context of a study in hybrid phenomenon of social business, [24] proposed for the process by which social businesses are designed. They suggested that clear intention of the social purposes would eventually drive the business design model, and the mission, method and operations are the key determinants of the success. In another setting, the chain between social enterprise orientation and its legitimacy and creativity further explains for the funding success [25]. Social enterprise is an entity that most of the time has a tight fund, therefore crowdfunding is one of the potential solutions. In light with this effort, the crowdfunding is a process that calls for the social participation [26] which further tightens the social responsibility.

### 3. Methodology

Since the aim of the research is to gain insights and capture the richness of the key issues and challenges, a case study using the interview as a technique for data collection was conducted. The method is believed to provide empirical inquiries that investigate the contemporary phenomenon.

Furthermore, the purpose and focus of the method is to describe the meaning, provide deep understanding, and interpretation of the textual information derived from the interviews, hence it clarified ways of thinking in relation to certain phenomenon [27]. Ref. [27] claimed interviews are essential parts of the case study evidence. In order to gain a holistic comprehension and reflection, the interviews were conducted with the founders of the social enterprises. Semi-structured interviews were conducted that allows for probing the answers for more input. Ref. [28] mentioned semi-structured interviews allow for flexibility in which omission or addition of questions during the interview is common. In similar context, [27] referred the semi-structured interview as the semi-structured focused interview.

In this study, a total of six social enterprise founders took part as the research informants. As social enterprise is just recently blooming in Malaysia, all of these enterprises are considered very young. All of them were in the same maturity cohort which is less than 5 years in operation. In addition, all of the enterprises obtained some supports and assistance from a third party. Hence, they were in the homogeneous group with identical business

characters. The profiles of the social enterprises are shown in Table 2.

**Table 2.** Profile of the Respondents

Social Enterprise	Social Business Focus
SE1	Solution provider for clean water to the indigenous groups
SE2	Human capital quality training for low income groups
SE3	Peer-to-peer car sharing and rental, utilizing on idle cars
SE4	On the go car maintenance service
SE5	Transparent crowd funding for less privileged groups in furthering their education
SE6	Reengineer the food supply-chain

**4. Results and Findings**

The interview transcript was analyzed using the constant comparison approach. The thematic analysis used was based on the values and also how the values are interrelated. Two main findings are offered.

**4.1 Social Enterprise Business Value Chain Model**

The first analysis is on the value chain of the social enterprise which is based on its operation and business process. The findings are illustrated in Figure 3.

Management	Process	Service/Product	Marketing
Sensing and seizing opportunity	Agile business model	Emerging product / services	Stakeholder trust
Structure and Culture	Sharing economy	Cost effective	Social engagement
Leadership and people skill	Talent and organization competencies	People issue solution	Global reach

**Figure 3.** Business Value Chain

Four main strategies were derived, which are the management, process, marketing and product/service. Reflecting on the illustration, there are evidences for how value chains are essential in

driving towards the achievement. First, the social enterprise essential values are explained by the key management which are the ability to sense and seize opportunities, based on unique working structure and culture and focusing on the effective leadership and emphasising on people’s skills. As the pillar of the social enterprise as an organization is strong, these values are crucial for the next business focus, which is the process strategy.

Second, agile business model, sharing economy process-based and competencies are playing their roles in explaining for process innovation success. As social enterprise is operated from the people for the people, the ability to react to stakeholders’ needs is very important. Therefore, being sensitive to the surrounding will help. This can be achieved by conducting a periodic assessment that measures their social orientation impacts. In addition, the social enterprise must also be able to innovate for self-sustaining the business. Two of the strategies are to be creative in designing a value creation process, which allows for more social participation and integration and open for cross-selling system.

Third, the values of the process will determine social enterprise abilities to offer unique products and services. The social enterprises value product/services are explained by their abilities to offer emerging products which are cost effective and meet the peoples’ needs. The products offered are based on lean innovation and the services utilise the communication technology, which aligns with the society and consumer lifestyles. In addition, there should be a flexibility for product scale up should the needs arise. Furthermore, the products/services are also cost effective. The idea of utilizing idle resources and shared resources with personal social touch allows anyone to participate as part of the social enterprise ecosystem. Finally, the solutions offered are for reducing the people issues. Cost of living, household income, access to education and financial independence are some of the common challenges that require social attention. Therefore, by focusing on the solutions to the problems, it creates creativity that allows for unique ideas. Finally, the unique products and services are the key to marketing contents. In relation to its nature of operation, social enterprise must have a good strategy in getting the stakeholders’ trust, able to inspire for greater social engagement and able to reach a greater global audience.

### 4.2 Social Enterprise Social Value Chain Model

This section discusses on the social values, created by the social enterprises, and how these values are important in creating the next value. The analyses offer four main social values, which begin with inter-social innovations, sharing economy, social inclusion and finally social empowerment. In addition, these values are made possible with the existence of the enablers, which are shared ownership, financial independence, self-sustainable and strategic alliance. The social value chain is depicted in Figure 4.

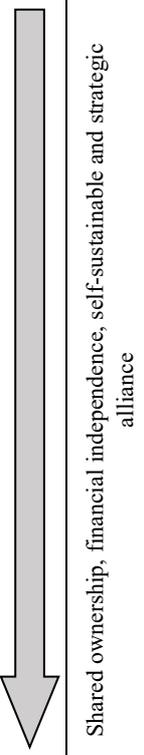
Social enterprise value	Description	Value Chain Enabler
Inter social innovations	The ability to come out with solutions, which do not focus on the end products only, but it also highlights on the process and operations across groups and stakeholders.	
Sharing economy	The state in which the economic benefits are shared across the entire chain of the stakeholder.	
Social inclusion	The state in which the less fortunate community has greater access to more privileges, such as the right to education, the right to being healthy and the right to work	
Social empowerment	The state in which the community feels a greater autonomy and confidence, and act collectively to change social relationships and improve the social hierarchy.	

Figure 4. Social Value Chain

As social enterprise focuses on the wellbeing, the benefits and values are dispersed to the entire chains from resource producers to products/service recipients. The social value first begins with the inter social innovations between the social entrepreneur, the resource producers and also the service recipients, which include the “we culture”. The ‘we culture’ allows for greater appreciation that promotes for unique products and services. Next, as social innovation takes into consideration the values across groups, the economic benefits are spread to

the entire stakeholder. Thus, it with the economic empowerment, it further allows for greater social inclusion. This state is crucial for least advantaged groups, as the economic capabilities enable them to have greater access to education, being healthier and get better access to employment, which are the key foundation of a community development. Finally, with the better access through social inclusion, the community will have greater autonomy and confident, as state which is known as social empowerment. This is also the state in which the least fortunate community will be able to move upward on the social mobility hierarchy. Shared ownership, financial independence, self-sustainable and strategic alliance are the keys that support social value chain across the line that covers many aspects of the social well-beings.

### 5. Conclusion

This study seeks to understand how social enterprises create business and social values, and how the value grows and creates other positive impacts. Based on the results, there are evidences that social enterprises grow social values; from inter social innovations to sharing economy, social inclusion and social empowerment. The creation of the social value chain is made possible with the strong supports of shared ownership, financial independence, self-sustainable and strategic alliance. As a conclusion, the study offers an initial insight that explores how social enterprises play a role in shaping the value creation across different groups. Regardless of the products and services, social enterprise is an inter-dependant activity that requires supports from many angles. In addition, the study also provides opportunities for evaluation and validation of the social value chain through other research design and study setting. In essence, the study is significance mainly in providing the strategies in boosting the social enterprise for achieving greater economic contribution. Besides, it could pave the way for future social financing models.

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