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Introduction

The concept of social entrepreneurship is not new, yet definitions and conceptions diverge noticeably across geographical contexts and create two divisible schools of thought particularly between America and Europe. One common convergence is social entrepreneurs create social value. One constant debate, however, is the perceived relationship between social and economic value creation—whether they are trade-off or complementary (Defourny & Nyssens 2010). This paper will critically discuss the contradicting arguments while in itself argue that relationship between social and economic value creation is neither a clear trade-off nor complementary but rather a dynamic mixture based on context and case specific.

Defining Terms

Debates could be prolonged endlessly without shared definitions of the make-up concepts: *value*, *economic value* and *social value*. Lu (1997) briefly defined value as a person's affirmation of benefit in a good or service that may satisfy his or her needs. Investopedia (2017) defined economic value as the maximum amount that a user or consumer is willing to offer to consume the preferred tangible and/or intangible benefits of the product or service provided. When economic value exceeds market value—a minimum amount a consumer can pay—consumer surplus or individual economic benefit is created. For example, the total unit cost of a burger was 3 dollars and the company offered to sell it at 5 dollars to a consumer that was actually willing to pay 8 dollars maximum. The transaction created residual value; firms claim financial value in form of 2 dollars profit derived from subtracting costs or expenses from the revenue while the consumer enjoys the consumer surplus of 3 dollars. Auerswald (2009) pointed out that the residual value was derived from the process of building a venture. However, the perceived economic value by consumers is subjectively shaped by a range of factors including prices and quality of available alternatives. *Social value*, on the other hand, is quite complex since it has been subjectively perceived and defined differently (Mair & Schoen 2007). Tsirogianni and Gaskell (2011) referred 'social value' to systematic and socially collective beliefs serving as implicit or explicit guiding principles or shared prescriptions of what is acceptable and desirable and what is not.

SocialValuePortal (2017) simplified 'social value' as positive financial and non-financial impacts generated by individual, program, and organizational interventions that improve people quality of life, social capital, and the environment. What remained complex, however, is that societies define and prioritize social value differently based on social, economic, political and cultural contexts (Defourny & Nyssens 2010).

What do debutants mean by claiming social and economic value are trade-off or complementary? Tradeoff believers usually see social and economic values in two different disciplines and incompatible in nature, and hence claim that focusing on creating one would diminish that of the other. More dichotomous arguers even claimed that one must be rejected in pursuit of other. Complementary arguers, on the other hand, claimed that the two elements could be blended and both economic and social value can be reflected in economic transactions.

Discussion

To restate, this paper argues that social and economic values are neither a clear tradeoff nor complementary but a dynamic blend depending on contexts and case specific. The paper will explain that both values are nearly if not always blended and that the blending is dynamic and no clear cut. The blending is dynamic because firstly the values can be matched in any one of the four possible relationships: low social but high economic value, high economic and high social value, low economic but high social value, low economic and low social value; and secondly because it can change over time as paths and missions of organizations change.

Social and economic values are nearly always in mixture since they cannot be separated. As exchange of goods and services is a profound part of any individual and society, Auerswald (2009) equalized social value to the extra product value obtained by a consumer from using the good or service, minus the total amount paid. He further claimed that all entrepreneurs create social value in every market transaction, the bigger the transaction the higher the value. Phills, Deiglmeier and Miller (2008) debated that social value should be created for society as whole rather than for private gain. However, individual is a core unit of a society

and as long as private gain does not compromise or destroy value of others, the society as a whole gains. Actually, individual and social value could be created at the same time, and those who perceived dichotomous relationship tend to assume that entrepreneurs solely captured all the residual value from market transactions, which is rarely the case. However, Auerswald's claim was not complete as well because not all entrepreneurs are productive entrepreneurs who create positive social influence. Unproductive and destructive entrepreneurs perform activities that generate negative impacts on society and environment (Desai, Acs & Weitzel 2010). In this case, relationship still exist but in a different form and will be mentioned.

Relationship between social and economic value can be explained at multiple levels. At national level, countries with economic prosperity positively correlated with better social well-being compared to economically struggling nations. Economically better-off people possess high purchasing power to satisfied needs and enjoy life while also more likely to spend time contributing to building social capital and social goods. In turn, high quality social capital fuels economic development (Phillips & Pittman 2009).

At micro-level, individuals are willing to pay for goods and services offered by firms because firms could meet their specific needs especially in competitive business environment. Also, consumer value or benefits can be improved through entrepreneurial competitions which usually lead to better products and services at lower costs. The famous theory of 'invisible hand' by Adam Smith argued that intentionally or not, entrepreneurial activities and competitions invisibly benefits the society as a whole (Minowitz 2016). Auerswald (2009) provided specific examples of how financial value generated by commercial entrepreneurs contributed to social progress. By creating new job opportunities and competitive environment, employees are prevented from being underpaid. The new good and service innovations prevent vulnerable consumers from being overcharged. Cross-subsidization and investments in new needs or poorly developed markets help address societal challenges. Continuous reinvestments from entrepreneurs contribute constant social progress. And hence, positive externalities of entrepreneurial activities extend beyond immediate economic value creation.

At individual level, moreover, most people pursue both economic and social goals. Even those named as social entrepreneurs are not purely driven by social value nor financial value but rather a combination on a continuum. Williams and Nadin (2011) studied the motivation of social entrepreneurs in over 800 starting social ventures in English localities and found that entrepreneurs are driven both social and commercial goal but to a different extent.

The dynamic blend, flow and conversion between social and economic value at multiple levels raises the question whether discussion of social and economic value divide is necessary. Attempting to distinguish and measure social value separately from economic value is arguably inappropriate.

Of course, neither commercial entrepreneurs, social entrepreneurs nor government could claim all the responsibility and contribution alone. They all have different roles to play. While embedding social value in economic transactions, conventional entrepreneurs with emphasis on economic gain cannot directly address such social issues as: limited freedom, social insecurity, racism, sexism, poverty, inequality, integrity, mistrust, social injustice, adverse climate effects and so on. Yet, these social issues undermine the performance and process of economic value creation. Entrepreneurial ventures could irresponsibly generate negative externalities which destroy social value. But opportunistic behavior partly indicates the failure of government or institution. Individual gains without wealth distribution mechanism by government can create social inequality. In developing countries, where many people are very poor and lack access to modern economic system do not benefits from economic value creations. This demonstrated the important of social value creations led by social enterprises and governments. However, social ventures and government interventions need financial resources contributed by commercial entrepreneurs. In capitalism context, government and social enterprises play this role better than developing context where capitalism and democracy are fragile or non-exist, little law enforcement and regulation (Phillips & Pittman 2009).

Social and economic values are usually blended in one of four options below:

Relationship 1: low economic but high social value

This tends to be the case of organizations which place higher emphasis on creating social value or addressing social challenges. For example, Grameen Bank established by Muhammad Yunus made possible and revolutionized micro-credit financing to the poor to help them break poverty cycle; the challenge that had been ignored by conventional entrepreneurs and Bangladeshi government. Started in 1976, Grameen scaled up to nearly 2,500 branches nationwide wide and made accessible to 95% of all villages with small loan disbursement accumulated to 6 billion dollars in total. In this case, the business did make profit from loan, but profit was then reinvested to expand the impacts. The significant social impacts of was addressing woman disempowerment, inequality of access to financing, and alleviating poverty. Beyond original purpose, the venture also helped rebuild trust and social capital which cannot be reflected in conventional market transaction (Acs & Sany 2009).

Auerswald (2009) argued that the existence of social enterprises is the result of government failures the same way corporations' failures open opportunities for new ventures. With this statement, the author may assume that the sole role of entrepreneurs is to create financial value, while government is solve all the social and environmental issues. This assumption promoted silo mentality and discourage cooperation. In common sense, social issues are shared challenges and all parties share responsibilities. Not all social problems can be solved through government mechanism, yet in many cases business models could be the solutions. Also, there are many cases that social ventures created path for commercial ventures to follow as exemplified Grameen Bank. In developing contexts, industries are usually fragmented and unattractive and many people left out of economic exchange system. This takes passionate social entrepreneurs that focus more on creating social value to take the challenges. In modern societies, business ethics, social and environmental values have increasingly become competitive advantages for firms especially global brands and corporations (Acs & Sany 2009).

Relationship 2: high economic but low social value

Tobacco industry could fit into this value combination. The worldwide tobacco market was estimated to be over USD 700 billion with over one billion smokers globally (BAT 2017). In this case, huge economic value is created by tobacco industry through economic transactions and maybe some economic value created for poor tobacco farmers, but it destroyed social or economic value for consumers and society as a whole. Even if causality of some health problems are still in argument, in 2012 smoking-related diseases were estimated to cost USD 400 billion and if productivity loss was taken into consideration the costs increased up to USD 1,436 billion, which equaled to 1.8% of world GDP (Goodchild, Nargis & d'Espaignet 2017). Extreme cases could also be found in 'unproductive' and 'destructive' forms of entrepreneurship which perform unproductive activities that produce negative economic, social and environmental consequences. This form of entrepreneurship typically happens in developing contexts where poor institutions exist, corruption prevails, and consumer protection is absent (Desai, Acs & Weitzel 2010).

Relationship 3: high economic and high social value

This is a highly desirable type, yet it takes radical and scalable social and entrepreneurial innovations (Acs & Sany 2009). Beyond social contribution by Gate Foundation, Microsoft itself has created tremendous social value through its billions of dollar product and service offerings. Auerswald (2009) claimed that the social value of the software even exceeded Gate's philanthropic intention since productivity and the extra product value that consumers generate by using the software far exceeded the amount paid. The software revolutionized computer technology and changed the way information was processed. With worldwide access to the software, the impact was gigantic. Pharmaceutical industry, one of the most profitable industries, could be another example. Companies risked up to billions of dollars in research and development of medicine that does not guarantee success. However, once succeeded the companies could generate high profit due patent advantage and market size while socially they supports the quality of public health system (Dranove, Garthwaite &

Hermosilla 2014). Other examples could be seen some famous brands that use ethical and environmental value as competitive advantages, command premium prices, and build stronger consumer loyalty.

Relationship 4: low social but low economic value

This type of value combination is undesired and unsustainable since there is no good reason for the venture to exist from the first place. Successful ventures innovate products and services that better satisfy consumer needs and wants, and thus able to capture economic and social value based on consumers' perceived benefits and willingness to pay. In contrast, unsuccessful venture bring to market products or services with low perceived benefits and fail to generate sufficient profit. This especially happens to firms fail to compete on low cost nor unique differentiation but rather stuck in the middle and on the verge of collapse in highly competitive environment (Porter 2008).

Conclusion

Neither social nor economic value is created in a vacuum; they influence each other. All economic value creating efforts produce social consequences and vice versa, yet the relationship exist at different extent which can only analyze case by case. As oppose to economic value, social value is very complicated and difficult to measure. Even if social value measurement approach called Social Return on Investment (SROI) has been developed, the concept is still new and the boundary between social and economic value are still obscure. Since social and economic value could positively complement each other as demonstrated in many cases, it is absolutely appropriate to encourage new ventures to create blended value. European Union's commitment to create a socially responsible economy is possible by setting appropriate standards and regulations. However, social responsibility should not be too costly to meet so that it does not become a significant barrier to entry for small and medium ventures.

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