

## **Capstone Project Proposal: Ways in which Social Enterprise's Management Achieves**

### **Creating Shared Values for Communities**

While social entrepreneurship (SE) has been in the scope of long-term interests for both researchers and practitioners, the phenomenon has numerous controversial characteristics. For example, the debates surround the topic in terms of its conception, interpretation, core features, and capability to bridge social-to-economic objectives or merely become the means for manipulating the minds of consumers. The issue is especially acute in the Chinese context as an opinion exists that the government refers to a SE framework in order to further strengthen its control over the masses or engage the businesses in the investment (Zhao, 2012; Abrami, Kirby & McFarlan, 2014). On a similar note, businesses are often blamed in utilization of SE aspects in their performance to exploit the vulnerable communities (Crane, Palazzo, Spence & Matten, 2014). Due to the lack of empirical evidence from the Chinese perspective, these stereotypical beliefs are deeply rooted in the scholarship on the topic.

#### **Purpose**

Based on the current increasing role and promotion of SE, a need for collection of primary data that would explain the ways in which SE management assists in creating shared values (CSV) for communities, if any, is more than evident.

#### **Study Objectives**

Therefore, the main objectives of this study will be:

- 1) explore the modern academic research on the topic in light of international and local standpoints and define the gaps in the scholarship in the field;
- 2) identify the case studies for collection of the illustrative material from the local perspective;
- 3) collect the empirical data;
- 4) interpret the findings through the lens of the existing research;

- 5) outline the prospects for practical and theoretical significance of the study results.

## **Study Scope**

The scope of the research is limited to discussion of the current evidence on the topic from the studies and documents published within 2011-2016. Moreover, the findings will be irrelevant for generalization as the study will be concerned with the Chinese context only.

## **Literature Review**

### **SE Definition**

To a great extent, the contemporary academic resources have no universal definition of SE as a concept. For instance, Bacq, Hartog and Hoogendoorn (2016) emphasize on the assumption that social entrepreneurs “draw” their activities on “the guiding principle of beneficence (‘actively doing good’) instead of the principle of non-maleficence (‘doing no harm’)” while “creating social wealth and bringing structural social change in times when pressing social and economic needs are abundant” (p. 703). On the other hand, Nicopoulou (2014) explicates that the essence of the concept substantially intersects with the understanding of corporate social responsibility (CSR), including a focus of the both terms on the social problem, along with the notions of social ownership and relationships with stakeholders. Pfitzer, Bockstette and Stamp (2013) also observe the evident and somehow controversial dualism in the phenomenon.

Regardless of the blurred frames between SE and CSR, scholars also often correlate SE with nonprofit sector. To illustrate, Stecker (2014) defines the term as “a modern global movement that is tackling the complex problems of the world – from poverty and hunger, and social injustice to the lack of access to healthcare, nutrition, and education” (p. 351). Yu (2016) similarly connects SE with nonprofits and defines its essence as “the process and outcome of entrepreneurial and innovative activities” in the field (p. 53). Fotea (2015) explicates its role as a driver of innovation is combined economic and social spheres. On the contrary, Doherty, Haugh and Lyon (2014),

Lumpkin, Moss, Gras, Kato and Amezsua (2013), in line with Grassl (2012) and Haylar and Wettenhall (2013), specify a SE organization as a hybrid formation in light of social purpose and sustainability efforts. Nonetheless, in the scope of this project, SE will be defined in line with interpretation of the term by the Johns Hopkins Comparative Non-profit Project, namely, organizations that “appropriate private-sector approaches” but “qualify as nonprofits” (as cited in Fulda, Lane & Valente, 2015, p. 149).

### **CSV in the Scope of SE**

In contrast, according to Porter and Kramer (2011), the primary task of today’s corporate actors should be bridging society and business needs in a thorough and holistic manner. In this context, the theorists argue that CSR cannot be compared with SE whereas the former envisions social responsibility as an integral part of business operations, though “at the periphery, not the core” (Porter & Kramer, 2011, p. 64). Instead, SE as a phenomenon can offer mutually beneficial outcomes for businesses and society simultaneously in a form of creating shared value (CSV) while meeting societal needs or addressing the challenges which the populations encounter. Pursuing a CSV creation, companies are likely to ensure an intertwined process of social and economic progress. Drawing upon Porter and Kramer’s (2011) assumption, this goal can be achieved through “reconceiving products and markets, redefining productivity in the value chain,” and “enabling local cluster development” (p. 65). However, Crane et al. (2014) criticize this suggestion and outline a few shortcomings in CSV argument. In particular, the authors articulate the evidence of a clear ethical conflict between social and economic goals in their core, similarly to Nicopoulou (2014). Moreover, doubts of CSV credibility and feasibility in practice stem from a high-level likelihood of corporate noncompliance with the principle.

### **SE Development Status in Hong Kong and People Republic of China (PRC)**

In PRC in general and Hong Kong (HK) in particular, the position of SEs is also controversial within different domains. On the one hand, the ambiguity of the theoretical perspective and practical implementation of the concept is traceable in the region as well, ranging from interchangeable reference to SE as nonprofits (Yu, 2016), and panacea for helping disabled and underprivileged (Fulda et al., 2015; Yu, 2016), to facilitators of local development (Yiu, Wan, Ng, Chen & Su, 2014), and a perspective avenue for domestic and international investment (Evans, 2013). On the other hand, its duality is founded on “state-centric and society-centric approaches” that coexist in the country as a long-lived phenomenon (Fulda et al., 2015). What is more, the issue is even more complicated since SEs embed the local and international features of these organizations and are mostly positioned as top-down innovations (Abrami, Kirby & McFarlan, 2014). In this regard, Zhao (2012) explains that the government attempts to gain control over the SEs through the active promotion of SE movement in the country on the grounds of such institutions as the Non-Profit Incubator or the China Social Entrepreneur Foundation, to name a few. On the contrary, the HK government explicitly defines SE as businesses which aims to “achieve specific social objectives” by “creating employment and training opportunities for socially disadvantaged, protecting the environment, funding its other social services through the profits earned” (Evans, 2013, p. 4).

## **SE Challenges**

Apart from the lack of consistency in theoretical and practical manifestations of SE, the literature on the topic allows identifying several more challenging specificities of these organizations. For instance, one of the risks for SE in practice is its operation on the verge between corporate and social aims which are conceptually opposite (Lumpkin et al, 2013; Nicopoulou, 2014; Crane et al., 2014). Although a SE may be launched as a social venture, a high likelihood exists of its transition to pursuing commercial interests by exploitation of the SE framework rather than remaining within SE sector. Furthermore, Yockey (2014) notes that social entrepreneurs ascertain

that “the existing laws are a poor fit for the hybrid strategies they embody” (p. 779). The other shortcomings arise from such issues as funding (Zhao, 2012), and the lack of high-qualified talent or inability to retain the staff members (Haylar & Wettenhall, 2013; Lumpkin et al., 2013) among others.

### **Conceptual Framework**

In accordance with the findings of the literature review, the conceptual framework of the proposed study will be centered on exploration of the effectiveness of SE development for nonprofit purposes in light of two research paradigms, such as

- a) managerial performance as a form of business sustainability and implication of shareholder leadership prospects, namely, a corporate actor as a CSV organization;
- b) management performance as a solution strategy for beneficiary (e.g. BN-disabled, elderly; QQS-migrant children; SD-disabled), or SE as a nongovernment\ nonprofit organization (NGO).

### **Study Design**

The study design will be of cross-sectional nature whereas the research focus will be on the organizations which have distinct determination of their operations, such as society-driven versus profit-driven ventures.

### **Study Methods**

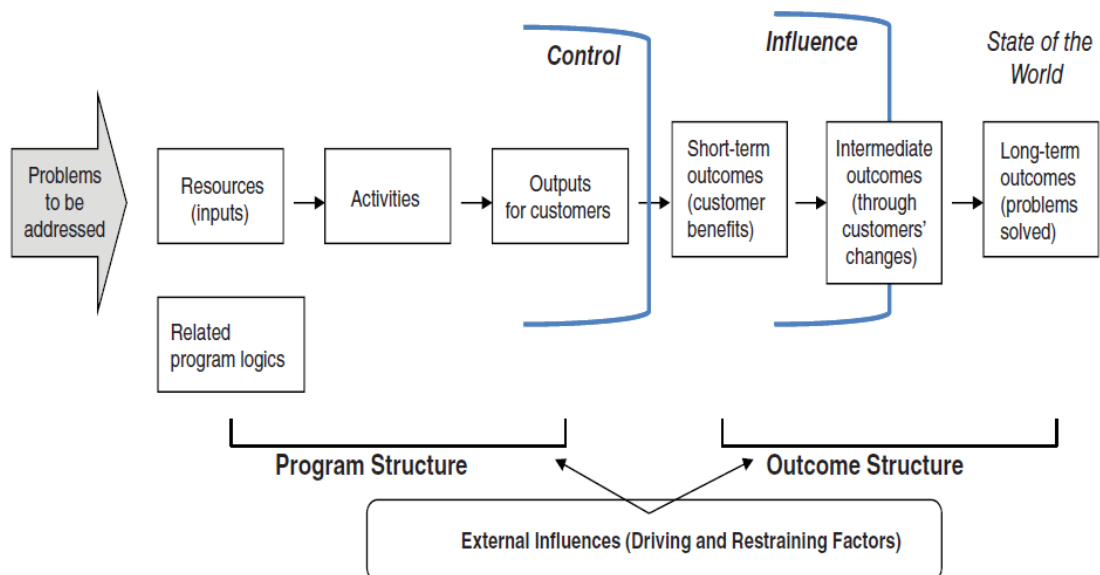
The exploration will utilize the qualitative methodology, though a few methods will be applied in the research procedure. The centerpiece of the methodology will be in-depth literature review with the focus on multiple case studies. This approach is “documenting the history of a particular organization” that enables a researcher with an opportunity to identify and interpret emergent themes on the topic or issue under study, namely SE (Zikmund, Babin, Carr & Griffin,

2013, p. 139). The method is valuable in terms of the opportunity to determine the cause-and-effect relationships in the scope of the explored variables (Yin, 2013), such as understanding the operations of the identified SEs in order to clarify if these result into social or material benefits for communities.

The data will be obtained through (a) reviewing the current documents, such as scholarly articles and professional reports, as well as the information available on SEs' websites; (b) face-to-face interviews (FTFI) with the representatives of the target organizations. The selection criteria for the organizations comprised of the fact that these SEs of more than 3-years performance, have clear organizational structure, and the data about their functioning are available, with a clear focus on disadvantaged populations. The sampling will be purposeful since the researcher will directly target, select and recruit the representatives of the intended organizations by using the organizations' emails.

### **Logic Model**

Logic model is an important component of the research procedure. The introduced study will employ the rationale proposed by McLaughlin and Jordan (2015) as demonstrated in figure 1 below. This approach will allow an opportunity to “stipulate and operationalize a complex chain of occurrences over an extended period of time” that will be staged “in a cause-effect-cause-effect patterns” (Yin, 2013, n. pag). Thus, considering the social problems which the case SEs address, resources embedded in the solution processes and other factors enlisted in figure 1 will enable the researcher with a possibility to trace the ways they utilize CVS development for communities and realize if these were effective and correspondent to the theorized nature of SE in general.



MacLaughlin & Jordan (2015) Using logic models. In Newcomer et al *Handbook of Practical Program Evaluation, Fourth Edition* p.59

The analyzed elements of the logic model will involve:

**The Internal Process:**

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**The External Process:**

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**Outputs:**

- Number of employment posts
- Number of partner organizations
- Break-even months

**Outcome:**

- Profit making cost reduction
- Social gains for beneficiary
- Employability in the market
- Beneficiary's participation in decision making
- Increment of the tripartite social partnership
- Change business outsourcing model

- Increment in employment

### **Anticipated Contribution**

The anticipated contribution will entail providing the evidence in a form of report that will explain whether the identified Chinese\ Hong Kong SEs are a community-focused venture or business innovation with outlining the evidence-based implications for further research and practice in the field.

### **Deliverable Description**

The deliverable will comprise a training pamphlet about SEs in HK and PRC context and the principles of the application of SE concepts in the sphere based on the collected and interpreted research findings.