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Book Section:
Littlewood, D.C. orcid.org/0000-0001-8994-1293 and Holt, D. (2018) Social entrepreneurship and CSR theory: insights, application and value. In: Spence, L.J., Frynas, J.G., Muthuri, J.N. and Navare, J., (eds.) Handbook of Research on Small Business Social Responsibility: Global Perspectives. Edward Elgar Publishing , pp. 292-319. ISBN 9781784711818

https://doi.org/10.4337/9781784711825.00022

This is a draft chapter. The final version is available in Research Handbook on Small Business Social Responsibility: Global Perspectives edited by Laura J. Spence, Jedrzej George Frynas, Judy N. Muthuri, Jyoti Navare, published in 2018, Edward Elgar Publishing Ltd https://doi.org/10.4337/9781784711825.00022 The material cannot be used for any other purpose without further permission of the publisher, and is for private use only.

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Social Entrepreneurship and CSR Theory: Insights, Application and Value

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Social Entrepreneurship and CSR Theory: Insights, Application and Value

The phenomenon of social entrepreneurship has proliferated in recent times. Concurrently, scholarly interest in and work examining social entrepreneurship has also blossomed. Yet there remains much about social entrepreneurship that we still do not know, whilst authors continue to highlight limitations in the state of theory development within the field of social entrepreneurship research. This chapter contributes towards advancing social entrepreneurship scholarship, and addressing these limitations, by exploring the insights, application, and value of Corporate Social Responsibility (CSR) theory for social entrepreneurship research. To do this, two key CSR theories: stakeholder theory and Carroll's CSR Pyramid, are analysed. We consider how both theories need to be adapted for a social enterprise context, before presenting a revised stakeholder theory of the social enterprise, and introducing the social enterprise responsibility pyramid. Although discussions in this chapter are principally conceptual, illustrative supporting examples are drawn from case study research with small and medium sized social enterprises in Sub-Saharan Africa.

Key Words: Social Entrepreneurship; Corporate Social Responsibility (CSR); Stakeholder Theory; CSR Pyramid; Sub-Saharan Africa

Introduction

It is widely suggested that research on social entrepreneurship, and particularly the development of social entrepreneurship theory, has lagged behind its practice (see Murphy & Coombes, 2009; Short, Moss & Lumpkin 2009; Santos, 2012; Choi & Majumdar, 2014). It is argued that much of the social entrepreneurship literature remains descriptive and atheoretical

(Dacin, Dacin & Tracey, 2011), and that it is only recently that social entrepreneurship scholars have begun to incorporate ideas from existing theories and approaches into their work, for example institutional theory (Mair, Marti & Ventresca 2012; Littlewood & Holt, 2015a), network theories (Shaw and Carter 2007; Dufays & Huybrechts, 2014), and entrepreneurship theories like bricolage i.e. social entrepreneurship as *"*social bricolage*"* (Di Domenico, Tracey & Haugh, 2010). It is also only recently that we have started to see new theories of social entrepreneurship emerge, for instance the growing body of work on social enterprises as hybrid organisations (Haigh & Hoffman, 2012; Doherty, Haugh & Lyon, 2014; Haigh, Walker, Bacq & Kickul, 2015), or the positive theory of social entrepreneurship proposed by Santos (2012). Various studies have therefore called for more and wider theoretical engagement and for theory development to advance social entrepreneurship scholarship (Dacin et al 2011). This includes in the contested domain of social entrepreneurship definitions, which it is argued are still often practice based (Mair & Marti, 2006; Rivera-Santos, Holt, Littlewood & Kolk, 2015), and where according to Choi & Majumdar (2014: 365) there remains significant *"conceptual confusion"*.

This chapter aims to contribute towards addressing some of these limitations by exploring the insights, application and value of Corporate Social Responsibility (CSR) theory for social entrepreneurship research. To date, few studies have attempted to bridge CSR and social entrepreneurship literatures and theory. This is despite calls from researchers for greater consideration of issues like the extent to which social enterprises address issues like internal CSR (Cornelius, Todres, Janjuha-Jivraj, Wood, Wallace, 2008), but also for more work acknowledging the salience of CSR in social enterprises, and investigating CSR's varied manifestations in diverse organisational contexts including social enterprises (Spence, 2016). In this chapter we analyse two key CSR theories: stakeholder theory (Freeman, 1984) and Carroll's CSR pyramid (Carroll, 1992), considering their application and insights, and also how

both theories may need to be adapted for a social enterprise context, leading us to outline a revised **stakeholder theory of the social enterprise**, and the **social enterprise responsibility pyramid**. Whilst discussions in this chapter are principally conceptual they are illustrated and supported with reference to examples drawn from case study research with small and medium sized social enterprises in Sub-Saharan Africa. There remain relatively few studies examining social entrepreneurship in Sub-Saharan Africa (see Kerlin, 2008; Karanda & Toledano 2012; Rivera-Santos et al 2015; Holt & Littlewood 2015), this chapter therefore also contributes to still limited knowledge about social entrepreneurship in such settings.

The chapter is structured as follows. We first review relevant literature, including: work addressing the role of theory in social entrepreneurship research; literature examining relationships between social entrepreneurship and CSR; and finally work on social entrepreneurship in Sub-Saharan Africa. The case study research which is used to illustrate discussions in this chapter is then briefly outlined. We then consider insights from and the application of stakeholder theory in the context of social entrepreneurship research and the study of social enterprises, with a revised stakeholder theory of the social enterprise proposed. The same is then done for the CSR Pyramid, with our social enterprise responsibility pyramid introduced. The chapter concludes with reflection on the wider value of CSR theory for social entrepreneurship research and of discussions and theorising in this chapter, we then consider areas for further study and possible future research questions raised by this work for CSR and social entrepreneurship scholars, and finally we consider the implications of our discussions for policy and practice.

Literature Review

Theory and Theory Development in Social Entrepreneurship Research

The role of theory, and theory development, are widely discussed topics in the social entrepreneurship literature (see Austin, Stevenson & Wei-Skillern, 2006a; Short et al 2009; Dacin, Dacin & Matear, 2010; Dacin et al 2011; Santos, 2012; Zeyen et al 2013), with authors generally concluding that there is significant scope for improvement in both areas. Writing almost a decade ago, Austin et al (2006a) argued that the theoretical underpinnings of social entrepreneurship had not been adequately explored. More recently Dacin et al (2011) identify similar limitations, arguing that much social entrepreneurship literature remains descriptive and atheoretical, and that it is only recently that studies have begun to incorporate ideas from existing theories and approaches. For instance Dacin et al (2011: 1206) identify a number of research opportunities to provide "a stronger theoretical basis for social entrepreneurship research" including: developing a better understanding of the institutional dimensions of social entrepreneurship; use of network theories to understand the context of social entrepreneurship and for reflection on issues of power and dominance; the integration of cultural approaches to the study of entrepreneurship; and engagement with issues of image and identity, drawing upon perspectives from organisational behaviour and marketing.

Opportunities for theoretical engagement and theory building in social entrepreneurship research are similarly discussed by Short et al (2009) who argue that social entrepreneurship scholars should embrace key themes in strategic entrepreneurship and frame their research using established theories like contingency theory, creation theory, discovery theory, resource dependence theory etc. Meanwhile, Doherty et al (2014) writing in relation to social enterprises as hybrid organisations, identify four significant areas for theory development, including: exploration of the role of different institutional contexts in supporting or discouraging the establishment of hybrids; examination of how hybrids successfully and sometimes unsuccessfully pursue conflicting objectives and seek to secure competitive advantage; investigation of how the resource requirements of hybrids are satisfied; and study of how board

members, managers, employees and volunteers in hybrid organisations respond to the tensions inherent in the contrasting value systems of private, public and other non-profit distributing organizations. Finally, in recent work by Zeyen et al (2013) it is argued that social entrepreneurship research needs to better connect with more established disciplines and theoretical fields. It is suggested that whilst social entrepreneurship research can benefit from challenging conventional assumptions, it can also be enhanced and enlightened through engagement with existing theories. This chapter, in exploring the insights application and value of CSR theories for social entrepreneurship research, aligns with the calls by these varied authors for more theoretical engagement in social entrepreneurship scholarship, but particularly the need to engage further with theory from more established fields.

Exploring the Intersection of Social Entrepreneurship and CSR

It remains the case that few studies have examined the intersection of, and relationships between, social entrepreneurship and CSR. In extant social entrepreneurship literature it is frequently argued that the two are distinct, that social entrepreneurship *"*is not a new form of corporate social responsibility*"* (Huybrechts & Nicholls, 2012; 6). For Huybrechts and Nicholls (2012), their principal divergences lie first in the fact that CSR is not necessarily entrepreneurial, nor innovative, for example CSR may simply consist of aligning corporate practices with practices and norms long established, and as such it lacks innovativeness. Huybrechts and Nicholls (2012) secondly argue that the respective goals of CSR projects and social entrepreneurship are fundamentally different. In social entrepreneurship, the social mission has primacy and profits are the means to achieve this mission rather than being an end as and of themselves, in social enterprises profits/ surpluses are reinvested in the organisation and/or mission rather than being distributed to shareholders. Conversely, in corporations profit maximisation and the creation of shareholder value remains the ultimate goal even in

engagement with CSR which is often underpinned by, and justified internally and to key constituents with reference to instrumental *"business case"* (Carroll & Shabana, 2010; Vogel, 2005) rationales e.g. the adoption of more strategic approaches to philanthropy (Godfrey, 2005) has been suggested as having benefits for moral and reputational capital amongst stakeholders (Fombrun, Gardberg and Barnett, 2000), whilst firm internal CSR activities have been linked to the building of positive relationships with employees (West, Hillenbrand & Money, 2015), enhancing their trust (Hansen, Dunford, Boss, Boss & Angermeier, 2011), compliance (Houghton, Gabel & Williams, 2009) and commitment (Collier & Esteban, 2007). The issue of value appropriation is similarly central in how Santos (2012) differentiates social entrepreneurship from CSR.

However, not all writers see such a clear division between social entrepreneurship and CSR. For example Baron (2007) considers their linkages and identifies social entrepreneurs as those willing to create what he terms a *"CSR firm"*, which he associates with a reduction in financial performance to achieve social ends, and which Baron (2007) counterpoises with *"profit-maximising firms"*. Interestingly Baron's (2007) analysis contrasts with prevailing notions in the CSR literature where it is often argued that CSR is not a burden and extra cost but rather can also be good for firm financial performance. In Baron's (2007) work a broad understanding of social entrepreneurship is adopted, with it equated with any non-profit maximising approach to business. This idea has interesting parallels with research on social responsibility in small business contexts where it has been noted that many small businesses are not profit maximizers but are rather *"*profit satisficers*"* focussed on ensuring sufficient financial return to continue trading (Baumann-Pauly et al., 2013; Spence & Rutherfoord, 2001). Adopting a different perspective on the CSR/social entrepreneurship relationship Austin et al (2006b) suggest that social entrepreneurship *"is for corporations, too"* labelling it as *"corporate social entrepreneurship"* (Austin & Reficco 2005). Meanwhile Selos and Mair (2005) introduce the

notion of *"social intrapreneurship"*, which they define as entrepreneurial initiatives that have a social purpose within corporations, with these identified as a bridge between CSR and social entrepreneurship.

Additional complexity in the relationship between social entrepreneurship and CSR can be identified if one considers notions of, and growing scholarship on, hybrid organisations and ventures (Billis, 2010; Haigh & Hoffman, 2012; Doherty et al 2014; Haigh et al 2015; Mair, Mayer & Lutz, 2015). In defining hybrid organisations Haigh and Hoffman (2012) describe them as organisations with an embedded social and/or environmental mission that blur the boundary between the for-profit and not-for-profit worlds. Haigh and Hoffman (2012) illustrate their discussions with both for-profit and not-for profit examples. Meanwhile for Doherty et al (2014) social enterprises are a type of hybrid organisation because they span the boundaries of the private, public and non-profit sectors, bridging institutional fields (after Tracey, Phillips & Jarvis, 2011), and facing conflicting institutional logics (Pache & Santos 2013). Social enterprise hybrids can be either not-for-profit or for-profit, with the boundary between for-profit social enterprises and traditional businesses engaging in advanced forms of CSR particularly blurred. Further complexity is also added if one considers other related hybrid organisational forms, like: fair trade organisations, which are often discussed as a type of social enterprise (Huybretchs & Defourney, 2008); social businesses (after Yunus, 2007; Yunus, Moingeon, & Lehmann-Ortega, 2012); in a US context Benefit Corporations (B-corps); cooperatives; inclusive business ventures; environmental/ecopreneurial enterprises; and social innovation Base of the Pyramid (BoP) business ventures (Kolk, Rivera-Santos & Ruffin, 2012). This plethora of hybrid organisational forms, which are variably included and excluded from academic and practitioner definitions of social enterprise, only adds to the difficulty of disentangling relationships between social entrepreneurship and CSR.

To date, few studies have explicitly considered what CSR might mean and how a CSR lens might be applied to social enterprises and in the study of social entrepreneurship, or indeed if the CSR concept is salient for social enterprises with their embedded social, environmental or sustainable development missions. Cornelius et al., (2008) provide one of the few examples of work addressing this subject, where drawing upon capability theories they focus in particular on internal dimensions of CSR in social enterprises, for example non-discrimination in the workplace, freedom of association, staff development, and governance and accountability. They identify that social enterprises often have a strong orientation towards their external stakeholders such as communities and service users, who are often the focus of their social missions, and suggest that this can lead to less attention being given to internal stakeholders and internal CSR concerns. Cornelius et al. (2008) stress the need for effective balancing of external and internal stakeholder interests in social enterprises, in order for such enterprises to retain positive reputations as well as ensuring the ability of internal staff to deliver for external constituents. Such issues and challenges have also been observed in relation to wider charitable organisations (see Foote, 2001).

Cornelius et al (2008) identify a need for further research on CSR in social enterprises, for example on the extent to which internal CSR policies and practices are evident in social enterprises, and whether such policies and practices are robust in social enterprises when compared to commercial enterprises of comparable size. Cornelius et al (2008) further suggest the application of relevant CSR frameworks to examine these issues in social enterprises. This need for greater awareness of and research examining CSR in social enterprises is also identified by Spence (2016), as part of her appeal for more attention to be given to CSR in diverse organisational forms. This chapter therefore responds to these varied calls for more work exploring the intersection of CSR and social entrepreneurship, and CSR in social enterprises.

In this chapter, in order to explore the insights CSR theory can provide for social entrepreneurship research, we focus our analysis on two core CSR theories: stakeholder theory (Freeman, 1984) and the CSR pyramid (Carroll, 1991). Our approach is informed by the work of Spence (2016) who redraws these two CSR theories to expand core CSR theory and enhance its relevance for small businesses. It remains the case that small businesses are underrepresented in CSR and social responsibility research, particularly small business in the developing world, and especially if one considers the significant role small businesses play in the economies of both developed and developing nations (Wymenga et al., 2012). We would argue that extant literature on small business social responsibility (Moore & Spence 2006; Spence & Painter-Morland, 2011; Kechiche & Soparnot, 2012), including in developing countries (Ibrahim et al 2012) and Africa (Demuijnck & Ngnodjom, 2012), has significant relevance when thinking about CSR in the context of social enterprises which in most cases are also small, are often similarly embedded in their local environments, are also frequently resource constrained, whilst as identified previously a non-profit maximising approach is a characteristic often shared by both (Moore & Spence, 2006; Baumann-Pauly et al., 2013).

Social Entrepreneurship in Sub-Saharan Africa

As is the case in wider management scholarship (Zoogah & Nkomo, 2013), Sub-Saharan Africa remains a relatively underexplored context in social entrepreneurship research. This is despite widespread calls in the literature for further study of social entrepreneurship outside of the relatively well researched settings of Europe and North America, and in more diverse institutional settings (Mair & Marti, 2006; Bacq & Janssen, 2011). Initial work on social entrepreneurship in Sub-Saharan African countries by Kerlin (2008) has been supplemented in recent times by a number of further studies. These include work by Rivera Santos et al (2015), which using a quantitative dataset of social enterprises from across East and Southern Africa,

explores the significance of African contextual factors in the way social ventures perceive themselves and on their choice of activities. In another recent study Littlewood & Holt (2015a) seek to further unpack the relationship between social entrepreneurship and environmental characteristics through a more fine grained analysis of social entrepreneurship in South Africa. Of relevance for discussions in this chapter are the relationships explored by Littlewood & Holt (2015a) between social entrepreneurship, Broad-Based Black Economic Empowerment (B-BBEE), and CSR, which through case analysis are shown to have significant potential to provide growth and funding opportunities for South African social enterprises.

Other recent studies include work by Holt & Littlewood (2015) which provides a framework for identifying, mapping and monitoring the impacts of hybrid firms, illustrated with reference to African case examples, whilst the same authors have also considered the characteristics of social enterprises in Sub-Saharan Africa more broadly (Littlewood & Holt, 2015b), and their role in addressing social exclusion in poor communities (Littlewood & Holt, 2014). Of all the countries in Sub-Saharan Africa, South Africa has received perhaps the greatest attention in social entrepreneurship literature (see Urban 2008; Karanda & Toledano, 2012; Steinman & van Rooij, 2012; Littlewood & Holt, 2015a and Littlewood & Holt, 2015c), there is therefore a need for more research on social entrepreneurship in a wider selection of African countries, and studies which include perspectives from across African countries, both of which occur in this chapter.

Illustrative Case Studies – The Trickle Out Africa Project

Whilst discussions in this chapter are principally conceptual they draw upon and are illustrated with reference to in-depth case study research undertaken with small and medium sized social enterprises in Sub-Saharan Africa in 2011 and 2012 as part of a wider research project – The Trickle Out Africa Project (see www.trickleout.net). In this project qualitative research was

undertaken with multiple case studies in Kenya, Zambia, Mozambique and South Africa. This research entailed interviews with the social entrepreneur founders of these ventures, but also for each case representatives of a wider group of key internal and external stakeholders. Focus groups were also carried out with representatives of some stakeholder groups e.g. community beneficiaries; staff etc. with those interviewed varying depending upon the case study involved. Across 20 social enterprise cases studies, which were operating in a range of sectors, were of varied ages and sizes, and had diverse operating and financial models, more than 300 interviews and focus groups were conducted.

A Revised Stakeholder Theory of the Social Enterprise

Since the publication of Freeman's (1984) seminal work Strategic Management: A Stakeholder Approach, the notion of stakeholders, and stakeholder theory, has been widely adopted across the business and management literature. Stakeholder theory is a core theory in CSR research and has heavily informed CSR practice, it is also central in wider business and society scholarship. The significance of stakeholder theory in business and society research was already noted 20 years ago by Donaldson and Preston (1995) who identified over 100 articles with a primary emphasis on the stakeholder concept and a dozen books. More recent evidence of the enduring relevance of stakeholder theory and of ongoing developments in this space can be seen in works by (Fassin, 2009), Hahn (2015), Hillenbrand, Money and Ghobadian (2013) and West et al (2015). At the heart of stakeholder theory is the notion that business organisations have responsibilities to those groups e.g. employees, communities, suppliers, etc. (which are in turn comprised of individuals) that affect and are affected by their activities. This includes but is not limited to the fiduciary responsibility business organisations have to shareholders, with shareholders recognised as a key but not the only stakeholder of a firm. In traditional conceptions of stakeholder theory business organisations are conceived as being the

central hub in a wheel and spoke structure connected to surrounding stakeholder groups through relationships that are bi-directional (Freeman, 1984). However, more recent work has sought to refine and further develop this stakeholder model. For example, Fassin (2008) introduces additional categories and classifications and a new terminology and identifies a distinction between stakeholders, stakewatchers and stakekeepers. For Fassin (2008) stakeholders are those who have a real stake and legitimate claim on the organisation, whilst stakewatchers are indirect stakeholders like trade unions and consumer associations whose legitimacy is derivative, but who look after the stake of other groups like watchdogs. The final group identified by Fassin (2008), stakekeepers, keep a stake for stakeholders, and may include actors like government/regulators and the press and media. Stakekeepers have no stake in the organisation but do have influence and control which they impose through regulation and constraints, whilst the organisation has little reciprocal direct impact on them.

Whilst some studies identify a generic list of stakeholders e.g. employees, suppliers, consumers, shareholders, communities etc. stakeholder theory is able to be, and has been applied to many different types of organisation. In each case, for each organisation, and depending on the circumstances in which it is being used and from whose perspective, stakeholder identification and salience varies (see Clarkson, 1995; Jones 1995; Mitchell, Agle & Wood, 1997). Mitchell et al (1997) introduce one of the most widely cited and utilised frameworks for stakeholder categorisation and mapping based on stakeholder's possession or otherwise of three key attributes: power, urgency and legitimacy. However, other authors have introduced notions like 'primary' and 'secondary' stakeholders (Clarkson, 1995). The former are defined as those without whose continuing participation the corporation cannot survive as a going concern e.g. investors, employees, customers etc. The latter are those who influence or affect, or are influenced or affected by, the corporation, but are not engaged in transactions with it or are essential for its survival e.g. the media and special interest groups.

In the social entrepreneurship literature one finds frequent reference to stakeholders. For example in early work conceptualising social entrepreneurship Mort, Weerawardena and Carnegie (2003) discuss the propensity of social entrepreneurs to balance the interests of multiple stakeholder groups, whilst Alvord, Brown and Letts (2002) identify the ability of successful social entrepreneurs to build bridges with diverse stakeholders. For Haugh (2007) stakeholders play a key role in community led social venture creation, with stages of stakeholder mobilisation and reporting to stakeholders identified, whilst Mason, Kirkbride and Bryde (2007) consider theories of governance in the social enterprise literature, reflecting on the utility of stakeholder and stewardship theories (see also Low 2006). In their comparative study of conceptions of social entrepreneurship and social enterprise in Europe and the USA, Defourny and Nyssens (2010) furthermore identify different types of relationship between social enterprises and their stakeholders linked to differences in respective institutional environments which inform the presence and prevalence of different social enterprise models in these different contexts. For example they argue that in much of Continental Europe *"multi-stakeholder"* ownership, and the participation of multiple stakeholders in social enterprise governance is a central dimension of prevailing practices, understandings and definitions. They contrast this to the US where there is a significantly greater focus on the profile of the individual social entrepreneur and their central role in the venture. For Santos (2012) the best way for social enterprises to achieve their desired outcomes is to empower stakeholders to become an integral part of the solution being created, and to put in place mechanisms and systems to reduce stakeholder dependency. Stakeholders are also centre stage in recent hybrid organisation literature, for example Haigh and Hoffman (2012) identify the need for hybrids to build mutually beneficial relationships with stakeholders (see also Mair et al 2015), whilst hybrids are also suggested to be accountable to their stakeholders (Ebrahim et al., 2014; Pache & Santos, 2013). Moreover, Holt and Littlewood (2015) present a framework for identifying

and monitoring the impact of hybrids on stakeholder groups. However overall, despite this widespread adoption and application of the stakeholder concept in social entrepreneurship research, to date there have been few if any attempts to unpack the meaning of stakeholder in a social enterprise setting, and to reflect critically on the application of stakeholder theory in social entrepreneurship/hybrid organisation research. This chapter aims to do this.

At a basic descriptive level, it can first be noted that the stakeholders of social enterprises – which hereafter we consider to be a form of hybrid organisation - and those stakeholder groups that are most important for social enterprises are often different to those for traditional business organisations. For example, where shareholders are a key stakeholder for traditional businesses, for social enterprises which are often defined by their non-distribution of profits or surpluses that are instead reinvested in the organisation or used for social purposes, there may be no shareholders or they may be much less significant. Although, this is not always the case, for example in some fair trade social enterprises producer stakeholders have equity, and similarly amongst our case study organisations in the inclusive business venture the Mozambique Honey Company the honey producers who are organised into cooperative associations own a 40% shareholding. These examples also nicely illustrate how individuals may belong to more than one stakeholder group.

Despite the emphasis placed on earned income and trading in social enterprise business models and definitions, in reality many social enterprises remain heavily reliant on grants, especially during start-up and particularly in developing world environments. Donors are therefore frequently an important stakeholder for social enterprises as they are for charities; indeed many social enterprises begin life as charities transitioning or *"evolving"* into social enterprises perhaps as a result of changing funding environments, and wider institutional change (Billis 1991; Kerlin 2010; Peattie and Morley 2008; Young and Salamon 2002; Doherty et al, 2014).

Also like charities, beneficiaries are a key and perhaps the most important stakeholder for social enterprises, these beneficiaries may be internal to the organisation for example the South African social enterprise the Khayelitsha Cookie Company provides affirming employment for women from disadvantaged township communities who also own a stake in the business through a trust. However, beneficiaries may also be more external, for example the low income households and poor communities the social enterprise Ecofinder Kenya works with through its subsistence market environmental innovation interventions.

In relation to governance, key stakeholder groups may also differ between social enterprises and traditional business ventures, for example social enterprises (at least small ones) will not have a board, although they may have a board of trustees, whilst as discussed earlier in some conceptions of a social enterprise active stakeholder involvement and participation in decision making and governance is a key defining criteria of the venture (Defourny & Nyssens, 2010). As with traditional business organisations staff are also an important stakeholder for social enterprises, although as identified by Cornelius et al (2008) and discussed in the literature review section social enterprises can sometimes pay less attention to them focussing instead on external stakeholders with potential implications for long term organisational performance. However, often in social enterprises this internal staff group may include significant numbers of volunteers, again in contrast to most traditional business organisations. Across our case study organisations international and domestic volunteers were an important source of skills, knowledge, and resources (either directly or indirectly through their networks) and had often played a significant role in organisational growth and development. Clearly who is a stakeholder for a social enterprise varies depending on the particular organisation involved. However, in general those stakeholder groups that are relevant and important in a social enterprise context are often different to those for more traditional businesses.

Social enterprises are frequently described as *"mission-driven"*, with the centrality of a social and/or environmental mission widely identified as a key trait and defining characteristic of these types of organisation (for example see Dees, 2003; Defourny and Nyssens, 2006; Munoz, 2010; Peattie and Morley, 2006), and in contrast to traditional businesses which are driven by more commercial logics. The notion of a social enterprise's mission is at the heart of the revised stakeholder theory of the social enterprise we now present. Social enterprises may be defined according to their relationships with the stakeholder groups that are the focus of their social and/or environmental missions. These key **mission stakeholders** (which may include the environment) are the reason for the existence (the purpose) of these organisations, whilst social enterprises measure their success, and are assessed, according to their impact on them. This idea can be illustrated with reference to two South African social enterprises, first the aforementioned Khayelitsha Cookie Company whose three key mission stakeholder groups are its employees, communities and consumers, secondary the Proudly Macassar Pottery social enterprise which uses music and the production of clay drums and flutes as a medium to connect with young people from the Macassar community, to whom it provides pottery skills training, business opportunities, advice and support, in the case of the Proudly Macassar Pottery its mission stakeholder groups are local young people and the wider Macassar community.

However, also important for social enterprises are those stakeholder groups that enable them to achieve their social and/or environmental missions. This may include for example the customers who purchase the products made by social enterprises, for example tourists who purchase the craft products made by street children and sold by the social enterprise Streetwise in Kenya. As discussed previously, donations still often play a significant role in social enterprise funding models, with donors thus another key enabling stakeholder group. In a further example the social enterprise the Book Bus undertakes education related outreach, provides a mobile library service, and donates thousands of books to rural schools and

communities in Zambia and Malawi. In this venture volo-tourists who pay to travel with Book Buses in varied locations fund the social enterprise's activities and participate in them, enabling the organisation to achieve its social mission. Overall, we identify these kinds of groups as **mission enabling stakeholders.** Without the resources and activities of these enabling stakeholders, social enterprises would be unable to achieve their social and/or environmental missions.

Finally, social enterprises have wider stakeholders who can influence mission enabling stakeholders, and thus impact the achievement of social enterprises missions. This influence may be positive, for example positive media coverage of a social enterprise may encourage greater customer purchasing or donor support, whilst in a specifically South African context government legislation and policy aimed at driving Broad-based Black Economic Empowerment and transformation has fostered greater engagement by the corporate sector with the country's social economy (see Littlewood & Holt, 2015a). However, such influence may also be negative e.g. the emergence of competitors, both other social enterprises and more traditional businesses entering the often niche markets served by social enterprises. We identify these kinds of actors as **mission influencing stakeholders**, reflecting their influence on mission enabling stakeholders and ability to influence the overall achievement of a social enterprise's mission.

Insert Figure 1 about here

Figure 1 provides an overview of our revised stakeholder theory of the social enterprise, which is grounded in the centrality of mission for such organisations. Viewed through a CSR lens it might be argued that whilst a social enterprise's key responsibilities are to its mission stakeholders, that such organisations must also engage responsibly and develop positive supportive relationships with their wider mission enabling stakeholders if they are to achieve

their goals, whilst overall responsible behaviour might also mitigate negative actions by mission influencing stakeholders or enhance positive ones.

Finally, in the small business social responsibility literature it is suggested that in a small business context, the inside of the *"black box"* (Donaldson and Preston, 1995) of the firm in stakeholder theory is best represented by the owner-manager of the business (Spence, 2016), with this owner manager often involved with a multitude of tasks beyond leadership and management. Informed by this perspective, in the context of small and medium sized social enterprises, in our revised theory of the social enterprise we similarly position the social entrepreneur(s) inside the black box of the organisation. Within the social entrepreneurship and social enterprise literatures different traditions give varying attention to the social entrepreneur, for example Defourney and Nyssens (2010) suggest that within more US based social entrepreneurship scholarship the social entrepreneur is often positioned as a key, heroic *"changemaker"* figure, whilst in more European social enterprise traditions social entrepreneurship is viewed as a more collaborative process, this latter view finds parallels in wider small business literatures challenging notions of the entrepreneur/leader acting in isolation (see Drakopoulou Dodd & Anderson, 2007). We therefore also recognise the potential for senior staff to sit alongside the social entrepreneur inside the black box of the social enterprise. Amongst our case studies we find instances where social enterprises have a more identifiable social entrepreneur leader, for example the venture Africa Homestays in Kenya that facilitates local home staying and volotourism, and in Cookswell Jikos which produces and sells energy efficient cook stoves in Kenya and across the East Africa region. But also instances where a more collaborative group leadership is identifiable for example in the portfolio social and environmental enterprise EcoFinder Kenya.

In conclusion, we have sought to enhance our understanding and the application of stakeholder theory in the context of social enterprises and social entrepreneurship research. In the process we have presented a revised stakeholder theory of the social enterprise. To summarise three key points from our analysis can be identified:

- The stakeholders of social enterprises – which we consider to be a form of hybrid organisation - and those stakeholder groups that are most important for social enterprises are often different to those for traditional business organisations.
- Social enterprises can be defined according to their relationships with key **mission stakeholders**. However, the achievement of their missions is also contingent on important **mission enabling stakeholders** whilst this achievement may also be enhanced or undermined by **mission influencing stakeholders.** We have presented a revised **stakeholder theory of the social enterprise** centring on such organisation's mission. Nevertheless, whilst social enterprises key responsibilities are to its mission stakeholders, they must also engage responsibly with their wider mission enabling stakeholders if they are to achieve their goals.
- In our revised stakeholder theory of the social enterprise the inside of the black box of the social enterprise, at least in small and medium sized social enterprises, is best represented by the social entrepreneur or a more collective group of social entrepreneurs.

The Social Enterprise Responsibility Pyramid

CSR is widely considered to be a multi-dimensional concept. One of the first authors to recognise this was Carroll (1979) who identified four domains or dimensions of firm responsibility (economic, legal, ethical and philanthropic), that were nevertheless non-mutually exclusive. These four domains were described as follows: (1) economic responsibility - the first and foremost social responsibility of the firm relating to economic performance,

profitability and financial viability, with all other business roles being predicated on this fundamental assumption; (2) legal responsibility - businesses have to fulfil their economic mission within the framework of legal requirements, obeying the law; (3) ethical responsibility - additional behaviours and activities that are not necessarily codified into law but nevertheless are expected by society, behaving ethically; (4) philanthropic responsibility – a more discretionary responsibility that is left to individual judgement and choice, this incorporates purely voluntary activities that are not required by law and not even generally expected of businesses in an ethical sense, but guided by a business's desire to engage in social roles, be a good corporate citizen. Carroll's conceptualisation of CSR was further developed in his later work (Carroll, 1991) which introduced the CSR pyramid (see Figure 2).

Insert Figure 2 about here

The CSR pyramid remains highly popular in the extant literature see for example Burton and Goldsby (2009), whilst Windsor (2006) suggests that it has yet to be surpassed by more recent conceptualisations of CSR. However, unlike the stakeholder concept and stakeholder theory, to date engagement with the CSR pyramid in social entrepreneurship literatures remains very limited. In the following discussions will consider how the pyramid might be reconfigured for application in the context of social enterprises and social entrepreneurship research, with a **social enterprise responsibility pyramid introduced.**

To make the CSR pyramid more relevant for a social entrepreneurship and social enterprise context we redraw it as follows. Starting from the base of the pyramid where Carroll (1991) identifies economic responsibilities and the need for organisations to be profitable, social enterprises need to be financially viable in order to survive and to achieve their social missions. Social enterprises often gain income from a variety of sources including trading but also often from donations, particularly during start-up, with the balance between these income sources

varying significantly between ventures (Austin et al. 2006a; Foster and Bradach 2005; Peredo and McLean 2006). It is widely regarded that to be considered a social enterprise an organisation must engage in at least some trading or commercial activity (Doherty et al 2014) but the extent of activity required remains debated, for example Munoz (2012) describes NGOs in the developing world that are starting to gain income from commercial activity, even at very low levels, as *"proto social enterprises"*, whilst in the UK for organisations to qualify for the Social Enterprise Mark they must earn at least 50% of income from trading or as a new start pledge to reach this target within 18 months. As discussed by Littlewood and Holt (2015b) there is therefore significant contextual variation in the applicability and suitability of such standards internationally. After Spence (2016), we redraw the economic domain moving away from the notion of responsibilities to be profitable towards responsibilities for survival and viability, social enterprises are often in financially parlous positions lacking resources and often working in and around *"institutional voids"* (Mair & Marti, 2009; Mair et al 2012) or *"gaps"* (Kolk, 2014) where markets may be not be functioning and returns are uncertain or low. We also move away from language of profitability as in social enterprises (albeit to varying extents) profits are rather discussed as surpluses which should either be reinvested in the organisation and/or used for social and environmental purposes. Reflecting on these differences we identify the first domain of the pyramid in a social enterprise context as responsibilities for **survival and the generation of surpluses**.

The second of Carroll's (1991) domains is legal responsibilities. In our social enterprise responsibility pyramid we integrate this within our new domain of survival and the generation of surpluses. After Spence (2016), we do this because small and medium sized social enterprises often lack the resources for a dedicated lawyer or compliance manager and thus their absolute legal compliance is unlikely, particularly as such organisations often rely extensively on volunteer labour and draw upon informal networks of support and supporters.

Furthermore, in the context of social enterprises in the developing world and Sub-Saharan Africa where the informal economy is a significant and in some instances dominant part of the overall economy, many social enterprises operate at the nexus of the formal and informal economies. They may for example procure, or sell and distribute goods through informal economy supply chains (Holt and Littlewood, 2014), for instance Cookswell Jikos uses small 'matatu' minivans often based in the informal economy to transport some of its energy efficient cook stoves to sellers in remote rural communities. Social enterprise relationships with employees may also be more characteristic of the informal economy, for example lacking fixed contracts, holiday or sick pay etc. one of our case studies in Mozambique did not provide its employees with formal contracts due to negative perceptions regarding them amongst employees linked to the country's post-conflict setting. Finally, a manager in one case studies in Kenya described her business as being in the *"*Jua Kali*"*, which in Kiswahili means *'hot sun'* (see King 1996) referring to those that work outside and is a term that has now entered common usage in Kiswahili speaking countries to refer to any kind of informal business not paying tax and not registered by the state.

The second and indeed third domains of our pyramid resonate with earlier discussions of mission and mission enabling stakeholders. In this instance the domains are **mission related responsibilities** and **non-mission related responsibilities**. These two domains are somewhat self-explanatory; the former refers to responsibilities related to the social enterprise's core social and/or environmental mission, the latter to the wider social and/or environmental responsibilities of social enterprises, what might be considered CSR. Mission related responsibilities can be illustrated with reference to our case studies, for example the social enterprise Toughstuff Solar[1] aimed to bring affordable energy products to people without

[1] Toughstuff Solar ceased trading in 2013.

access to electricity helping to improve their quality of life through a product that was environmentally friendly, with Toughstuff also creating employment opportunities in low income communities through its Business in a Box (BIAB) solar entrepreneurs programme. Toughstuff's mission related responsibilities therefore were to ensure the successful provision of electricity to low income groups using a sustainable product, and to create sustainable employment opportunities in poor communities. In another example the Kenyan social enterprise the Flip Flop Recycling Company (FFRC), now trading under the name Ocean Sole, creates artistic products from discarded flip flops. It aims to help clean up beaches and conserve marine ecosystems, whilst also providing training and employment opportunities for people from local income coastal communities in Kenya. FFRC's mission related responsibilities are therefore around contributing to marine ecosystem conservation, but also creating sustainable employment opportunities for low income groups.

Non-mission related responsibilities might be conceived in relation to the work of Cornelius et al (2008) who in studying CSR in social enterprises suggest that an overemphasis on external mission stakeholders can lead to insufficient attention being given to relationships with and treatment of internal stakeholders i.e. staff and volunteers. Non-mission related responsibilities relate to the wider social and environmental responsibilities social enterprises have that are not explicitly recognised and encompassed in their social missions. An example might be a social enterprise focused on work integration and providing opportunities for disadvantaged groups e.g. people with disabilities, this organisation nevertheless also has responsibilities in its treatment of staff, in its relationships with suppliers, and to the environment e.g. minimising its carbon footprint, reducing waste etc. As discussed previously the mission of the South African social enterprise the Khayelitsha Cookie Company is to provide affirming employment to women from disadvantaged township communities. However, it also undertakes a variety of actions to reduce energy consumption and waste created in production, whilst its products are

packaged using recyclable materials. The Khayelitsha Cookie Company is therefore engaging with its non-mission related responsibilities in relation to the environment. Recognition of and engagement with non-mission related responsibilities is often important for relationships with mission enabling stakeholders.

We regard the ethical domain of Carroll's (1991) CSR pyramid as being captured within these new twin domains of mission and non-mission related responsibilities. Carroll's (1991) final domain of philanthropic responsibilities is replaced with a new domain of responsibility to be **accountable**. Philanthropy as a concept and practice has varying degrees of salience for social enterprises. For example in some social enterprises and social enterprise definitions all surpluses are reinvested in the organisation and/or used for social purposes, in such contexts philanthropy would not make sense and could in fact be viewed negatively as detracting from the organisation's efforts to achieve its primary social mission or purpose. However, in some for-profit social enterprises that do not perhaps adopt a profit maximising approach but where at least some profits/surpluses are distributed to shareholders, philanthropy may still be relevant. We therefore do not completely remove philanthropy but rather suggest that it may be covered in the domain of non-mission related responsibilities. We suggest social enterprises have responsibilities to be **accountable** to both mission and mission enabling stakeholders e.g. beneficiaries, donors etc. This need for accountability reflects the widespread identification in social entrepreneurship literature of the importance of stakeholder engagement, participation in governance, and ownership of social enterprises. For example, in more European traditions and the EMES school (Defourny and Nyssens, 2010) multi-stakeholder participation in governance and ownership of social enterprises (Bacchiega & Borzaga, 2003) is a key characteristic of these organisations reflecting their historic links to the cooperative tradition. Meanwhile, accountability to constituencies served is an important theme identified by Dees (1998) who Defourny and Nyssens (2010) associate with the social innovation school of

thought. Accountability to stakeholders is further addressed as a key concern in a range of wider social entrepreneurship literatures (e.g. Dart, 2004; Mason et al 2007; Cornelius et al 2008), whilst it is also suggested to be a key challenge for wider hybrid organisations by Doherty et al (2014).

Figure 3 summarises our revised four domain **social enterprise responsibility pyramid**. Historically, Carroll's (1991) CSR pyramid has provided a framework for assessing corporate performance in meeting its responsibilities across the four domains (economic, legal, ethical, and philanthropic). Our pyramid may provide a similar framework for assessing the overall performance of social enterprises across our four domains (survival and surpluses; mission-related responsibilities; non-mission related responsibilities; and accountability). Understanding the performance and impacts of social enterprises remains the subject of considerable academic study (see Holt & Littlewood, 2015), but is also a major concern for practitioners. However, often the frameworks proposed provide only a partial understanding of that performance, focussing on either economic/financial dimensions or the impact of mission related activities. Our social enterprise responsibility pyramid therefore has value in potentially providing the basis for a broader understanding and assessment of social enterprise performance.

Insert Figure 3 about here

From the preceding discussions two key points can be identified:

- Carroll's (1991) CSR pyramid is adapted for the context of social enterprises and social entrepreneurship research with four domains identified: **survival and surpluses**; **mission related responsibilities**; **non-mission related** responsibilities; **accountability**. These are summarised in a new social enterprise responsibility pyramid.

- This redrawn pyramid has potential to be used as a framework for understanding and assessing social enterprise performance across a broader range of dimensions than many existing frameworks.

Conclusions – Insights, Application and Value

In this chapter we have explored the insights from and application of CSR theory in relation to social enterprises and in the context of social entrepreneurship research, focussing in particular on two core CSR theories - stakeholder theory and the CSR pyramid. As part of this process we have introduced a revised stakeholder theory of the social enterprise and the social enterprise responsibility pyramid. This exercise and our work is of scholarly value in a number of respects. First, we have contributed towards addressing gaps in theory development in social entrepreneurship literature by providing insight on and unpacking the nature of responsibility in a social enterprise context, whilst also outlining a revised theory of the social enterprise and its stakeholders framed around the centrality of mission for such ventures. The different domains of responsibility for social enterprises have been given only limited explicit consideration in existing literature, whilst stakeholder theory although widely deployed in social entrepreneurship research is under-theorised and at times used unreflectively. In applying CSR theory in a social enterprise context we have also responded to calls in the literature for social entrepreneurship scholars to engage more with existing established theories – in this instance CSR theories – and in so doing have sought to contribute towards bridging these two bodies of literature that potentially have much to say to one another. A further scholarly contribution of our work has been to add to hitherto limited work on social entrepreneurship in Sub-Saharan Africa, whilst also demonstrating the insights research in such settings can provide for wider management scholarship.

Discussions in this chapter raise various future research questions and areas for further enquiry for the social entrepreneurship and CSR fields, and scholars trying to bridge them. For social entrepreneurship scholars, and/or CSR researchers, more work is first needed to further unpack the meaning of responsibility in a social enterprise context. Whilst the new social enterprise responsibility pyramid outlined in this chapter is a first step in this regard, there is scope for other CSR theories and lens to be applied to this subject, for example the three domain approach of Swartz and Carroll (2003). In this chapter we have argued that CSR theory has value for social entrepreneurship research, and we would therefore encourage other social entrepreneurship scholars to engage further with such theory and indeed wider business ethics debates, particularly given the need for a more critical social entrepreneurship research agenda. Given the small or medium size of many social enterprises the small business responsibility literatures may be particularly valuable in this respect. Another avenue for further research would be to develop integrated frameworks and tools to assess social enterprise performance in addressing all domains of their responsibility identified in our social enterprise responsibility pyramid i.e. survival and generation of surpluses, mission related responsibilities, non-mission related responsibilities and accountability. This would clearly also have significant implications for practice. In this chapter we have outlined a revised stakeholder theory of the social enterprise focussed around the mission of such ventures, however there is still significant scope to further unpack what it means to have a stake in a social enterprise. More work is also needed examining the causes, consequences and mediators of positive relationships between social enterprises and their different stakeholders. Furthermore in the CSR and wider business and society literature a host of frameworks exist for understanding stakeholder salience based on notions like power, legitimacy and urgency (see Mitchell et al 1997), scholars might examine how these play out in a social enterprise context, including how the key dimension of mission may be integrated into and/or reshape such frameworks.

Discussions in this chapter are principally conceptual, there is therefore also a need to assess their traction and value through empirical research with social enterprises. We have illustrated our discussions with reference to social enterprises in Sub-Saharan Africa, nevertheless there remains a relative paucity of work on social enterprises in this and wider developing world contexts, which is thus another possible area for future enquiry. Finally, whilst so far our suggestions for future research and scholarship have principally focussed on the more emergent social entrepreneurship field, some areas CSR scholars more specifically might chose to examine include: CSR and relationships between traditional businesses (SMEs but also multinationals) and social enterprises, this might be in the form of partnerships or alliances, or in a more competitive context; social intrapreneurship or corporate social entrepreneurship as an aspect of CSR within multinationals, what are the drivers for this, what are its costs and benefits, when and why does it work or not work; finally, as identified in the literature review, for-profit social enterprises are a significant phenomenon globally, whether fair trade businesses, social businesses, B-corps in the US and globally etc. there is still significant scope to further apply CSR theories and to examine prominent CSR issues and concerns in the context of these kinds of hybrid organisations.

Discussions in this chapter also have value and implications for policy and practice. For practitioners, e.g. social entrepreneurs and social enterprise managers, our revised stakeholder theory of the social enterprise provides an adapted framework that can be used in strategic stakeholder analysis, and/or as part of a strategy formulation and implementation process. Social entrepreneurs and social enterprise managers need to remain cognisant of their core mission stakeholders, the meeting of whose needs define the organisation's purpose. However, they also need to manage successfully relationships with key mission enabling stakeholders, and to capitalise on opportunities provided and mitigate threats posed by the actions of mission influencing stakeholders. Meanwhile, the social enterprise responsibility pyramid first behoves

social entrepreneurs, and managers in such organisations, to not neglect their non-mission related responsibilities, as doing so may have negative implications for the achievement of mission-related responsibilities i.e. if treated poorly internal staff may be less able or willing to deliver for external beneficiaries. The social enterprise responsibility pyramid may also provide the basis for a more integrated assessment of performance across the four key interconnected domains. Such an exercise may have benefits internally in identifying areas of strong performance to leverage and weak performance to improve, such performance might also be conveyed externally, as part of being accountable to mission stakeholders and mission enabling stakeholders. For donors and policy makers such a framework might also help to inform funding allocation and in assessing value for money. Finally, a key question arising from this chapter might be what government policy or legislation might enable and/or ensure social enterprises address their responsibilities across the different domains.

In conclusion, in this chapter we have considered the insights, application and value of CSR theory for social entrepreneurship research. We have done this by focussing on two key CSR theories – stakeholder theory and the pyramid of CSR- which we have revised for a social enterprise context. Overall, we have found and sought to illustrate how CSR theory has a great deal to offer social entrepreneurship scholars, and that bridging the CSR and social entrepreneurship literatures is possible, with important implications for policy and practice. We believe this is a worthwhile project, and that there remains considerable scope to develop it further.

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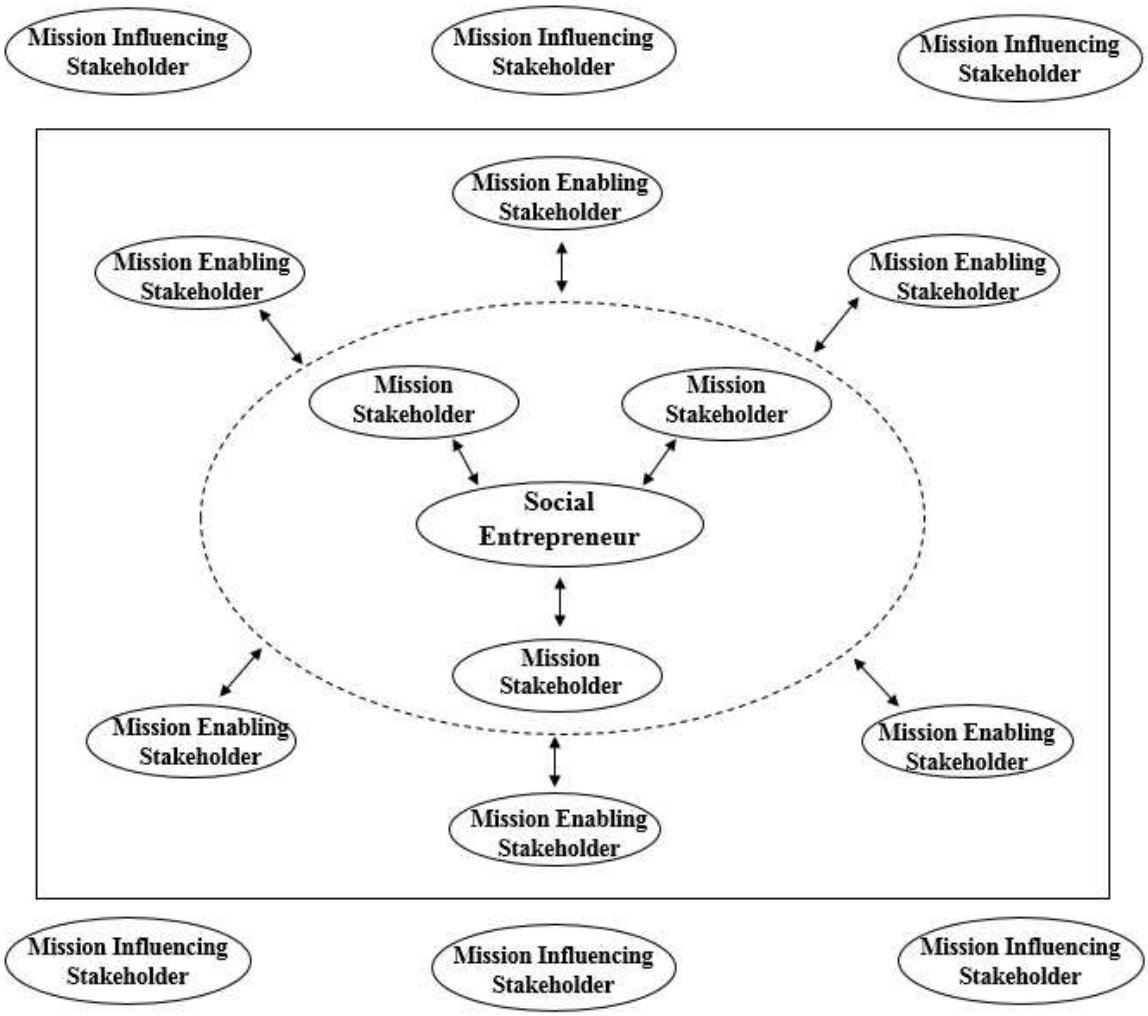
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Figure 1: Summary Revised Stakeholder Theory of the Social Enterprise

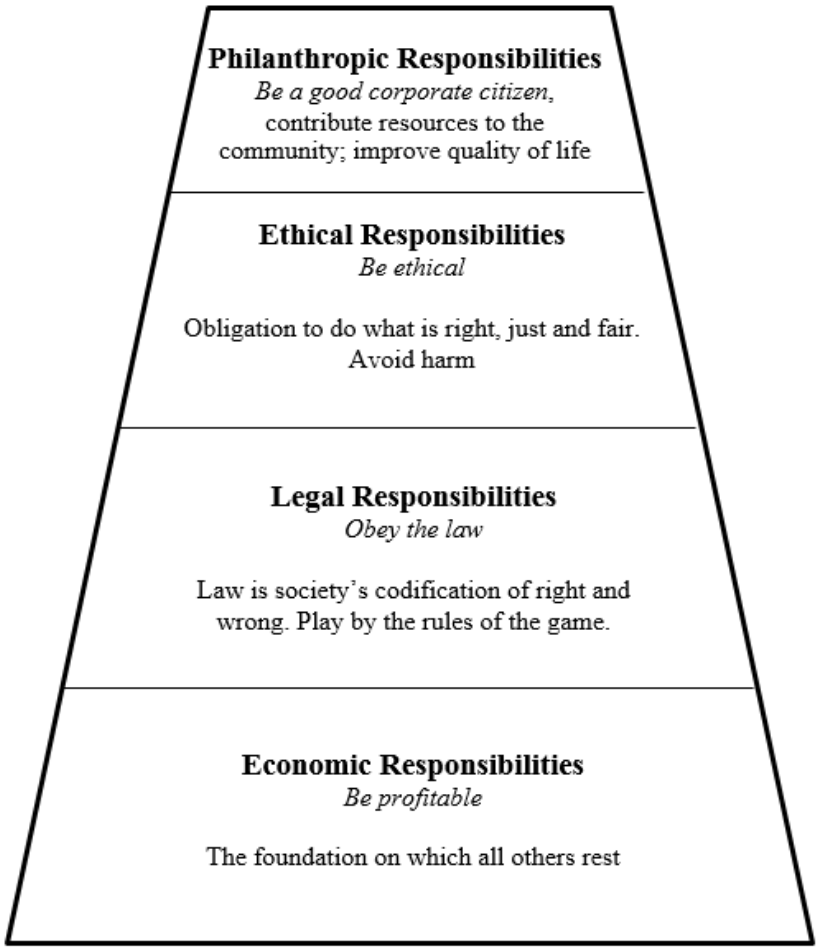

Figure 2: The CSR Pyramid from Carroll (1991)

Figure 3. Social Enterprise Responsibility Pyramid