



Human Capital Management and Sustainable Development of Social Enterprise

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ABSTRACT

The appearance of social business enterprises has been attributed to the increased demand for sustainability within the non-profit organisations (NPOs) due to diminishing funding from traditional sources and increased competition for the scarce resources. To date, there is growing interest on social businesses (SBs) as innovation in providing public services that contributes to the social wellbeing of community. This in turn can be channeled directly or indirectly to economic development as the sustainability level of the country is measured specifically towards the development of human capital and solving the social problems rather than the economics alone. Indeed, having both economic and non-economic aims, SBs would be the potential solutions to address a range of societal issues and increase the efficiency and quality of public sector services that focus on equitable development with ecological sustainability. Therefore, it is important to explore the relationship among capability of SBs and the social impact created. This paper explores on capability based on human capital management and social impact or value created through SBs. This is expected to provide many insights on the sustainability and credibility of SBs to support the government efforts in moving towards increasing nation income.

Keywords: Human Capital, Management, Sustainable Development, Social Enterprise.

Journal Reference Format:

Agbor, S. & Ogana, M. (2020): Human Capital Management and Sustainable Development of Social Enterprise. *Humanities, Management, Arts, Education & the Social Sciences Journal*. Vol. 8 . No. 2, Pp 63-69 Available online at humanities-managementjournal.info

1. INTRODUCTION

Social enterprises are the organizations founded, owned, and/or managed by the social entrepreneur(s). Their organizations can take different (sometimes multiple) legal forms, such as foundations, cooperatives, or limited liability companies. Some countries introduced separate organizational forms to do justice to the dual mission of social enterprises, such as low-profit limited liability company (L3Cs), benefit corporation (B-Corps), and community interest company (CICs) (Ebrahim et al. 2020). This is to create an enabling environment for social enterprises in which they can operate. Social entrepreneurship emerges as a response to the complex society needs. The concept of social entrepreneurship has been rapidly emerging in the private, public and nonprofit sectors over the last few years.



This has enabled a growing interest in social entrepreneurship as a whole (Johnson, 2000). Besides, it is a global phenomenon for social entrepreneurship to employ their innovative approaches to solve social problems which ultimately giving impact to the whole society (Robinson, Mair and Hockerts, 2009). Research on social enterprise has been gaining prominence in recent years and attracting attention in a number of different disciplines. In the context of social enterprises or social organizations, efficiency might well imply that many such organisations exist to deliver social and other community services cheaper than the public sector. They allow for cost savings by having volunteers as they have lower overheads count. An alternative effectiveness perspective might contend that their purpose is to deliver these services better, perhaps higher in quality, faster, more flexibly than a bureaucratic public sector by embracing entrepreneurial people in smaller and leaner organisations (Thompson, 2018). Therefore, it is important to develop and apply social entrepreneurship to sustain social development and enhance human capital.

Therefore, social value is the most important factor in this process although social entrepreneurship is often viewed as business with a social purpose that earns income for the non-profit sector. Furthermore, Dees (2003) said he leaned toward another definition of social entrepreneurship, one that emphasized innovation and impact, not income, in dealing with social problems. Much of the early social enterprise literature has focused on defining social enterprises, and adapting theories to explain their recent emergence.

2. THE DRIVERS OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurs are individuals who find innovative solutions that respond to exactly those challenges, and support their solutions with innovative business models (Choi and Majumdar 2020). Social enterprises contribute to decent work by showing the possibility of social enterprising that inherently takes social value and economic growth simultaneously into account. There are a number of reasons why social entrepreneurship increasingly manifested itself. Social enterprises in Europe identified and responded to problems that emerged in times of retrenchment of the welfare state, which was characterized by decentralization, privatization and reduced services. Social enterprises step into this third sector problems, such as housing problems of marginalized groups and re-integration of individuals into the work force (Kerlin 2006).

Such third sector problems are characterized by low potential for high profit margins, which makes it less interesting for profit-oriented companies to address (Santos 2020). In such cases, social entrepreneurs mend the social fabric where it is torn (Zahra et al. 2009), a role that is increasingly cognized by policy makers and government organizations. The reason why social entrepreneurship is increasingly manifested in the United States is different. Social enterprise emerged after not-for-profits needed to fill the gaps after welfare retrenchments and subsequent cutbacks on their funding. They needed to adopt a market-orientation to sustain their organization and their social value creation (Kerlin 2006). Jiao (2018) constructed a social model where sustaining social development and improve human well-being as a key success factor developed from the application of social entrepreneurship activity. It has been highlighted in the paper that social entrepreneurs will be knowledgeable because they emphasize the benefit of end-beneficiary which is the community.



They will have the skills in understanding the customers on their needs and to then satisfy them in innovative way. Social business also develops the capability of the human in resource utilization skills. Social entrepreneurship impact had attracted increased attention. People find social entrepreneurs job are compelling as this job offers these extraordinary people with creativity and innovative ideas in producing goods and services. The interest in social entrepreneurship signals a transformed change in the elements of human capital namely, knowledge, ability to integrate and utilize resource and development of skills. So many researches also carried out on these voluntary organizations looking at different way. Defourny (2001) looked at certain behavioral features of enterprises to be called social.

Taking 15 European Union (EU) countries as sample, four features were identified from the study; 1) continuous production of goods and services, 2) high degree of autonomy, 3) operation with economic risk via own funding and 4) workers are either volunteers or minimum paid workers. On the other hand, Overall et al. (2018) discussed the concept of cultural context which led to the emergence of social entrepreneurship. The study in one local Maori social enterprise brought the idea that reconnecting the Maori people to their communities in sustaining culture through innovations from the Young Maori by providing roadmaps in New Zealand created the spirit of social entrepreneurship.

Cook and Inman (2020), on the other hand, discussed the success and loophole in some of the voluntary sectors for conservation in England. Without denying the social good of volunteering, they also highlighted issues on underfunding, task allocation, independence and potential undermining of labour market. However, Moreau and Mertens (2020) undertook different way of researching on social enterprise. They have developed a management competency model of social enterprise to ensure effective handling of this so-called social business. They were of the view that competency in social enterprise arise from competency in knowledge, skills and behaviour. Scholars have recognized the business move towards social entrepreneurship which makes social enterprise relationship very clear. Despite its increasing attention, has come concern over why exactly social entrepreneurs do

3. SUSTAINABLE DEVELOPMENT

Sustainable development first appeared in the World Conservation Strategy put forward by the International Union for the Conservation of Nature (IUCN) in 1980 where economic growth was seen as an enemy of environment (Stern, 1997, 146). But prominent meaning of SD is the Brundtland Report (WCED, 1987) proposed that sustainable development is "development that meets the needs of the present generation while letting future generations meets their own needs. In recent years, economists have made progress in articulating their conception of sustainable. Crucial to this is that scholars have been able to synthesized SD into three pillars; economic development, social equity and environmental protection pillars (United Nations, 2007 and Oladeji, 2020, 12). There are two main criteria of sustainable development; Weak Sustainability (WS) and Strong Sustainability (SS).

Weak sustainability refers to non-declining total capital.



(productive base) in the form of physical, human and natural capital. The WS rents from natural resources could be invested (substituted) in manmade capital and/or human capital to ensure sustainable development. Strong sustainability on the other hand, means a threshold level of some forms of capital (physical, human, social, and natural) to be preserved in physical terms. In economic literature, it is the WS criterion that is been employed most widely according to Amsalu et al. (2018, 11) because of scarce resource with alternative uses. Weak sustainability is all about forms of capital that are substitutable for each other.

More so, SS requires in addition to WS, the stocks of capital (K) should not be declining. "addition to" is preferred because a situation in which natural capital is preserved while other forms of capital are allowed to decline significantly can hardly be called „sustainable development" (Adejumo and Adejumo, 2020). Tern (1997, 146) stated that there is a consensus among a large number of economists that the weak sustainability supports the capital theory approach (CTA) and is a useful means of measuring sustainability especially in inform policy making (Carson et al., 1994; Steer and Lutz 1993). There are also a growing number of critics who question whether this is a useful way to address sustainability (Common and Norton 1994; Common 1995).

Though the human needs included in the definition is of recent thinking coupled with Soubbotina (2004) and Harry (2018) views that human beings are the epicenter for sustainable development. The criterion of this study is trying to capture sustainable development as much as possible from the weak sustainable development capital approach (productive base) that is substantial to be bequest to next generation with human capital bias, a position Martin (2006, 6) also agreed. Eric (2018) equated weak sustainable development with sustained growth.

4. BENEFITS OF SOCIAL ENTREPRENEURSHIP TO THE SOCIETY

The major aim of social enterprise is to solve social problems. The concept lies in this entrepreneurship differentiate their motives from public and private sector at large. Many studies highlighted concern raised in social business that any surplus generated from the so-called entrepreneurship activity must return to the society, rather than keeping them solely within the owners and shareholders. Engelke, Mauksch, Darkow and Gracht (2021) conducted qualitative discussions involving experts in Germany about the development of social enterprise as problem solving solution in industrialized countries. They viewed social business as enterprise where profit stays in the business to support for social objectives. Jiao (2018) proposed that greater level of social entrepreneurship is positively related to society's social impact. Social business promotes social value where the application of the entrepreneurship is to be aligned with the need to solve social problem like the unemployment and the environment matters.

A study by Cheng (2021) asserted that social enterprises in Cambodia have emerged from critiques raised upon their non-governmental organizations (NGOs). The NGOs were seen as defeating their purpose where the poor still remains where they were, stressing over own financial survival and they have lowering the level of trust by the government. Furthermore, Daya (2020) also explored the social enterprise craft industry in the South Africa, focusing on how these entrepreneurs saved the poor and black women in particular and issues revolving them. Additionally, Sawmy (2021) explored the concept of inclusive business in extractive industry to sustain the business.



The social business model implies the need to include the poor in the business chain to accommodate their corporate social responsibility by way of link them as local business partners, hire them as employees or create them as business producers. So many papers stressed that helping the society are forces behind the emergence of social enterprise. Connolly and Kelly (2018) on his view about third sector and social sector explained that social sector defined their business where social objective are the central of their activities and reject any personal gain.

A survey done with the service users of a social enterprise engaging in rural transportation highlighted the significant contribution that this service made to the residents. O Shaughnessy, Casey and Enright (2018) found that elder residents mostly benefited from the social service; easy access to health care services, shops and post offices, removed the feeling of being isolated from other people, eliminate dependency on surrounding people to travel and many more. Researchers are on the idea that social entrepreneurs are more fascinated towards probing social problems. Social problems can be caused by social market failure also. Hackett (2018) discussed on the ability of social enterprise in eliminating unemployment, poverty, income gap of the society caused by failure in market that ordinary business failed to address.

5. CONCLUSION

Currently, there is a remarkable growth in the third sector. Social enterprise through its entrepreneurial activities is a mechanism in improving social value by reconciling the gaps in wealth which ultimately would influence the development of human capital also to solve social problem. This paper, reviewed literatures to specifically clarify the inconsistencies definition of social entrepreneurship that emerge from many thoughts and views. Then, we discussed the factors that initiated entrepreneurship that could benefit the society at large and also its relationship in developing the human capital. Finally, we discussed the consequences of social entrepreneurship to the society.

The government support for the entrepreneurship activities is really meaningful towards the effort of expanding social capital of social entrepreneur that can lead to increase in harmonious society. The combination of different stakeholders in the social enterprise organizations that are more oriented could benefit the whole community (Defourny, 2001). This is vital importance to understand what social enterprise explicitly could bring in relation to the development of human capital who could be maintained as long term asset as the qualities of them become a major contributor to the organization and community at large. Apart from that, given the increasing roles and profile, social enterprise is inextricably as the potential solutions to address a range of societal issues (Hall et al., 2020). Meanwhile, creating the opportunities for the poor is absolutely enabling good supply chain (Sodhi and Tang, 2018) that is essential to assist sustainability efforts (Rajput and Chopra, 2020). The entrepreneurship by the social business requires proactive approaches whereby its application should be aligned in dealing with solving social problem like the unemployment issue in order to promote social value (Jiao, 2018) and as the main key to measure the social impact as a whole.



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