

**Tags:** Civil Society Research; Management; Leadership; Corporations and Inequality

**Summary:** Social enterprises promote a socially conscious image while making a profit, but too often their claims fail to live up to reality. Prioritizing evidence can empower businesses to do good and consumers to make socially conscious choices.

**Bio:** Reece Steinberg is a business liaison librarian at Toronto Metropolitan University in Canada and co-Chair of the Entrepreneurship & Libraries Conference. His research interests include critical study of social ventures and ESG, special journal issues, and the effects of neoliberal environments on research in business education. Reece was the recipient of the Toronto Metropolitan University Librarian Award in 2022. He is the librarian member of the Provost's Academic Leadership Program for 2021-2 and is an enthusiastic contributor to BizLibratory (Business Reference Laboratory) blog. Reece completed his MLIS at the University of British Columbia and is an MBA candidate at Toronto Metropolitan University.

## **Putting the “Social” Back in Social Enterprise: An Evidence-Based Approach**

[Social enterprises](#) are for-profit businesses that claim to offer the types of social benefits generally associated with charities, fostering a socially conscious image while making a profit. Familiar examples include TOMS and Warby Parker, but they are not alone: conventional businesses like [Amazon](#) and [Toyota](#) also strive to project a socially conscious image. Often unnoticed is that the social good coming from such businesses doesn't necessarily benefit the communities receiving it. Indeed, thanks to social entrepreneurs' unfamiliarity with the communities they purport to be helping, the work of social enterprises frequently produces a mix of ineffectual and harmful efforts.

The appealing images fostered by social enterprises obscure information that socially conscious consumers need when trying to make informed purchasing (and social media posting) choices. While business models are based on evidence, rarely are the social aspects of business models closely examined. As a result, the effects of the social aspects of social enterprises are often unquestioned. Businesses seldom evaluate or share whether their donations are usable or even needed by the recipient, culturally appropriate, or worse, contribute to problems in the recipient's community. Meanwhile, social ratings systems such as Environmental, Social, and Governance (ESG) ratings generally evaluate investment risk, rather than rigorously measured social benefits.

This lack of meaningful information collection and sharing begins with businesses' planning research. As a business librarian at a university, I work with students who are developing their own business plans and projects. I have clearly seen the frustration of

(would-be) social entrepreneurs who lack guidance and structure when conducting in-depth research on businesses' concrete contributions to society. In response, I developed a research framework for such students. Capable of helping entrepreneurs build truly social businesses, this framework can also help the public— including consumers, journalists, social advocates, entrepreneurs—investigate and evaluate businesses and make evidence-based consumer and media choices.

## **Competition and the Diminishment of Social Aspects of Social Entrepreneurship**

Ethics-based marketing encourages people to buy, brand, post, and flag purchases to signal their beliefs, opening new avenues of neoliberal consumerism enabled by social media. Social enterprises have become lucrative enough that conventional businesses market their products and services as socially responsible. In the past few years, such marketing has become ubiquitous among large corporations. Consumers are now unable to determine which businesses significantly benefit society, while social enterprises are forced to choose between minimizing their social and green initiatives or losing out to large competitors who appear to offer the same benefits with less expense.

[ME to WE](#) is an extreme example of a social enterprise, and while it is not representative of all social enterprises, it shows just how far social enterprises can stray from their stated mission. WE Charity and its social enterprise, ME to WE, have been accused of multiple acts of corruption, including corruption involving Canadian Prime Minister Justin Trudeau, hiding child labor in their supply chain, and financial backwash (when an organization's charity arm funds the business/social enterprise arm instead of the other way around). They are also embroiled in cases of intentional falsification of use of donations, including large scale falsification of the number of charitable works completed (such as schools and boreholes built in Kenya).

How do some social enterprises travel so far from their supposed missions? One problem is competition with conventional businesses, which can cause small, community-based, committed social enterprises to either fail or compromise their social mission, mimicking businesses that offer meager Corporate Social Responsibility (CSR) initiatives instead of working toward transformative, community-focused change. For those that succeed, the next question is: Does the "social good" actually help? Social enterprises often lack essential research that would help answer this question.

## **The Research Gap of Social Enterprises**

There isn't a recognized process for evaluating the social or environmental benefits that social enterprises offer. As such, while social enterprises build their business models on data, they build their social models on assumptions and empty narratives. Without

thorough, ongoing research, they do not have the data to determine if they are providing the benefits they claim or if the benefits are offset by unforeseen negative community impacts, such as economic disruption caused by inappropriate donations or donation targets. This is an issue for people interested in investigating a business operating in their community, and it is a problem for current and aspiring social entrepreneurs who want to develop businesses that produce social benefits.

There are ethical business ratings and measures, but their lack of transparency and their function and aim are at odds with the development or assessment of social enterprises. ESG ratings are assigned by different analytics and financial companies such as Refinitiv, S&P Global, Morningstar, and others. They do not measure a social enterprise's positive and negative impacts but rather ESG investment risk, focusing on the likelihood of a PR problem related to environmental sustainability, social responsibility, fair management, or labor practices, so that shareholders and other stakeholders can make decisions about their financial involvement with a company.

B Corp certification, for example, is a measurement of a business's responsibility to the community, environment, workers, and more. The certification process is opaque and difficult to understand from the outside, especially considering that businesses notorious for unethical practices, like ME to WE, continue to be certified and even win awards.

Such ethical business ratings use tools based on data analytics and publicly available information, but social enterprises (as well as conventional businesses) collect and share data that are convenient and impressive. They can easily demonstrate, for example, that they donated one pair of shoes for each pair sold, providing a total number of donated shoes the previous year.

## **A Social Entrepreneurship Research Framework**

The social entrepreneurship research framework that I developed includes seven steps. Though designed for student entrepreneurs, it can also serve social advocates, consumers, and journalists.

### **1. Assess the initial issue(s)**

- What social issue or need is the business trying to solve?
- What is the history of the problem?
- Where are its structural roots? Social enterprises should aim to address structural or root problems rather than providing stop-gap measures.

## **2. Assess the enterprise**

- Is the social enterprise embedded in the community it's serving? Social enterprises act on problems their founders understand and are committed to fixing because they are part of the affected community.
- Is the social benefit an essential part of the business' model? If the business could be separated from the social part of the enterprise, this indicates a Corporate Social Responsibility (CSR) initiative, rather than a social enterprise. Embedded within the business model, social aspects of a social enterprise are indistinguishable from the business itself.

## **3. Evaluate social enterprise/business models**

- What models exist that might help structurally solve the issue(s) at hand? Do the models have community or historical roots or empirical research showing they can help? Social enterprises are designed using models that have historical roots in community or are otherwise evidence-based to predict the effects of the enterprise's involvement in the community and beyond.
- Find examples of when each model has been used. Have there been unforeseen consequences? Why? Why were they unforeseen? What would you do to prevent these or other unforeseen consequences?

## **4. Compare solutions**

- What solutions have been considered beyond business models? Other types of solutions to community problems could include new or existing advocacy groups, nonprofit organizations, community groups, or other solutions. Failing to consider these possibilities limits the type of community involvement primarily to consumer relationships.

## **5. Investigate similar situations**

- Examine situations that are comparable in relation to the structural issues or problems the enterprise is trying to solve.
- Find examples of models of progress, attempted or completed. Investigate their strengths, weaknesses, and the evidence these determinations are based on.

## **6. Develop and evaluate ongoing assessment tools**

- Assessment tools should be used at regular intervals.

- How do the assessment tools provide feedback to prevent diminishment of the business' social benefits?

## **7. Critically examine the company's research framework**

- Examine the research framework as it pertains to this particular enterprise. What is missing?

## **Using the Social Entrepreneurship Research Framework**

While it helps to have access to a university library's electronic databases to do this research, it's not necessary. Many public libraries offer access to company databases and to expert librarian knowledge on company and academic research. There are also free resources online, including:

- Investor and CSR pages of company websites (read with a critical eye)
- Open journal collections that include research on specific companies and industries, the problems with common social enterprise business practices (such as Buy One Give One), as well as social issues and solutions/attempted solutions
- NGO and government websites about social issues

While few of us have the time or inclination to complete a seven-step research evaluation before deciding whether or not to purchase a cup of social enterprise coffee, the following are some populations who could use this research framework:

**Social Advocates:** Social advocates are involved in campaigns and information-sharing about unjust company practices. They could use this framework to systematically evaluate problematic enterprises and share their findings with the public, to demonstrate the benefits of and true social capacity of social enterprises, and to investigate other solutions to social problems outside of existing business models.

**Journalists:** Journalists who investigate social issues and/or questionable business practices can use this framework to structure how they approach deep investigative research into social enterprises.

**Entrepreneurs and Supporters:** Entrepreneurs would ideally use this framework while developing a new business or business idea, but the framework can also be used to assess an existing venture. Supporters, potential investors, and collaborators who are joining entrepreneurs in their early stages can also use this framework to inform themselves about ethical business elements they can support and weaknesses they can manage.

**Consumers and Consumer Advocacy Groups:** While this framework isn't designed for consumers to use for every item they buy, it is an approach that could be taken for larger purchasing decisions. A consumer advocacy group, for example, could organize to crowdsource and share research on social enterprises undertaken by individuals, as well as highlight social ventures in need of evaluation.