

Social business, accountability, and social impact

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Abstract

The social business concept is receiving increased attention as social businesses could solve some of the social problems that we currently encounter in society, for example, hunger, poverty, unemployment, etc. Social businesses pursue a social mission through self-financed business models, rather than relying on philanthropy to survive. They should be accountable for both financial and social performance (activities) to multiple stakeholders who have different demands and interests. We explore how social businesses should discharge their accountability in terms of financial accountability, accountability for their social impacts, and their social and environmental accountability. Since there is no common accountability framework for the measurement and disclosure of social impact, this research aims to construct and suggest an accountability framework for social businesses. To achieve this aim, we systematically review the literature on accountability, blended value and social business, and develop a framework for the accountability of social business. Our findings suggest that accountability for social business is underpinned by the blended value creation perspective. Social businesses require an extended form of accountability framework, including accountability for legal accounting obligations, accountability for performance, and accountability for programs. Social businesses should also discharge their accountability through reporting, dialogue, engagement, and actions. Through this extended accountability, social businesses become more transparent and accountable.

Key Words: Social Business, accountability, blended value, hybrid organizations, social impact

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1. Introduction

Social businesses could solve some of the social problems that we currently encounter in society, for example, hunger, poverty, unemployment, etc. The term ‘social business’ is described as a for-profit business with social objectives. Social businesses pursue a social mission through self-financed business models, rather than relying on philanthropy to survive.¹ Furthermore, social businesses, being the antithesis of profit maximisation, may present a gentler form of capitalism, or present the concept of social capitalism.² Since social businesses have both a business goal and a social goal, they should be accountable for financial issues and social impacts to multiple stakeholders who have different demands and interests. It is therefore necessary for social businesses to demonstrate how they have discharged their accountability, strengthened their social impacts, pursued their mission and became more self-sustaining (White, 2018). However, how social businesses should account for their social impacts is unclear (Luke, 2016), as there is no common framework or guidance for social businesses regarding the measurement and accountability of their social impacts.

In addition, social businesses should also be accountable for their general environmental, social and governance (ESG) activities, issues, and concerns as they are regarded as being more ethical and socially concerned as a business form. ESG issues arguably hold greater significance for social businesses. While social impact is an important goal for social businesses, they will also be expected to reduce their environmental impacts and have good social values and outcomes in their conduct and operations. Furthermore, the role of governance is very important for social businesses to ensure accountability, as it enables them to efficiently manage and align their financial and social goals, and their broader ESG goals, particularly when confronted with market and stakeholder pressures (Ebrahim et al., 2014). In

¹ Social businesses are regarded as hybrid organizations as they pursue both a financial goal (i.e., profitability as they are by definition a business) and a social goal.

² Social capitalism aims to make social changes or improvements, rather than focusing on the accumulation of capital in the classic capitalist sense (Ball & Olmedo, 2011).

this regard, we respond to the call for research and scholarship as essential elements in debating and discussing issues surrounding social responsibility, especially disentangling how companies should strike a balance between profit and purpose (Liljeblom et al., 2024, p. 2) by focusing on social businesses and the balance they need to strike between profit and the social impacts.

How social businesses account for these impacts is an important issue that has received very little attention in the literature. We address this by considering the accountability relationships and responsibilities that should be used in social businesses. We use the blended value perspective and accountability theory to develop expectations about the accountability of social businesses. Specifically, we are critical of reporting as the only way to discharge accountability and we argue that accountability is enacted in social businesses through action, dialogue, active enquiry and engagement, in addition to reporting. Reporting is only one aspect of the accountability of social businesses (Nicholls, 2009) as an account cannot be a perfect representation of reality, since it is partial, selective and possibly a narrow view of events (Gray et al., 1996; Roberts, 2009, 2018). In this context, Mair and Marti (2006) argue that analysing the accountability of social businesses through reporting only is inadequate. Therefore, we explore how social businesses should discharge their accountability, and move beyond a focus on disclosure, towards using different accountability methods (i.e., reporting, actions, dialogue and enquiry) and in this way engage with a wide range of stakeholders to discharge accountability.

Since social businesses exhibit the characteristics of both not-for-profit organizations and commercial businesses (Luke, 2016), there are a number of issues with regards to how these organizations generate enough income without losing sight of their social mission, how they should be accountable for divergent stakeholder interests, and how they should determine and account for their social impacts. Research on hybrid organizations show that accountability

for financial and social objectives may not always be aligned, as social businesses have tensions and trade-offs in order to survive (Smith et al., 2013). This can be seen as analogous to the ‘deadlocks’ in decision-making that could hinder accountability (see, Schoenmaker & Schramade, 2024) in the absence of a measure of the aggregate welfare all stakeholders, i.e., it is harder to measure the business’s contribution to the welfare of employees and customers, and its social impact, than it is to measure its profitability. Although social businesses may adopt guidelines that have been developed for not-for-profit organizations, Luke (2016) argued that this is not appropriate as social businesses and not-for-profit organizations have different characteristics and objectives. Specifically, social businesses need to earn enough income from their operations to fund the social impact. Furthermore, they need to be accountable to a range of stakeholders including funding providers and beneficiaries to show what social impacts or changes they have created (Ebrahim et al., 2014).

The purpose of this research is to construct an accountability framework for social businesses, which allows us to examine the way social businesses govern financial, environmental, and social issues, measure their social impacts, and discharge accountability to their multiple stakeholders. To achieve this aim, we systematically review the literature on accountability, blended value accounting and social business. Our study suggests that social businesses require an extended accountability framework. We argue that social businesses should consider discharging accountability not only through reporting, but also through dialogue, engagement and actions. We contend that the accountability framework of social business is deeply rooted in the blended value perspective. The paper contributes to the ESG accountability literature by developing an accountability framework, which will inform the governance of social businesses.

2. Background to social business

Wilson and Post (2013) defined social business as a cause driven, financially self-sustaining commercial business, specifically created to solve a social problem in a sustainable way. The authors further pointed out that social business is essentially different from other enterprises such as for-profit businesses, social enterprises, cooperatives and non-profit organizations. While profit maximisation is not the aim, the social business should attain financial and economic sustainability.³ The current capitalistic world view and the extreme un-equal distribution of wealth, capital and power within the system is widely criticised (Ghalib et al., 2009). Some commentators suggest that poverty and inequality is systemic of selfish capitalism.⁴ Social business represents a broader view of accountability and responsibility. A change towards organizations that espouse these forms of accountability and responsibility (i.e., social business) by consumers, investors, employees and capital providers like banks, can lead to real change and a form of unselfish or social capitalism. Social businesses are also environmentally conscious, and the workforce should get living wages with better-than-standard working conditions (Yunus, 2007). Social business should therefore work for creating social impacts and earning enough income to cover all their costs and to make a profit for their shareholders/investors, in an environmentally and socially sustainable manner.

While scholars attempt to define social business and social enterprise, the overlap and boundaries of these terms remain contested (Beckmann et al., 2014). A social mission is a common denominator for social enterprises and social businesses (Beckmann et al., 2014), that is, they are mission-driven organizations. Beckmann et al. (2014) indicated that social business

³ Maximisation of profits is not considered as the primary objective of social business (Grove & Berg, 2014) and social business could therefore overcome one of the major problems with capitalism: the greed that arises from an extreme profit maximization focus. We are somewhat sceptical about the idea of utilising capitalism to create social impact, without addressing the extreme un-equal distribution of wealth, capital and power within the system.

⁴ Oliver James characterises selfish capitalism as judging business success almost exclusively by share price, privatising public utilities, minimal regulation of business, suppressing unions and low taxes for the rich (James, 2008). This results in massive economic inequality, accompanied by the ideology that consumption and market forces can meet almost all human needs.

and social enterprise can be distinguished based on how they are financed. Yunus and Weber (2010) suggested that social businesses must be financed through self-generated income and cannot rely on grants or donations. In other words, social businesses should be financially self-sustainable. By contrast, social enterprises can earn income from a variety of different sources. Social businesses can therefore be defined as hybrid organizations that operates in a business environment with a well-defined social mission(s) and whose income is principally (or entirely) generated from their own business activities.

There is an increasing hybridisation of for-profit companies (Dees & Anderson, 2003; Elkington, 1997; Porter & Kramer, 2011). For example, the rise of 'triple bottom line', the 'corporate social responsibility' agenda, and ideas about 'shared value', 'corporate citizenship' and 'sustainability' indicate that companies integrate social and environmental goals into their business operations (Porter & Kramer, 2011). Thus, the boundaries between pure for-profit enterprises and companies with social missions are increasingly blurred (Millar, 2012). It can also be argued that the distinction or the boundaries between the public sector, private sector, and not-for-profit organizations are also blurry which makes it even harder to identify the social business sector (Kearns, 2000; Hoffman et al., 2012). When comparing social businesses and public interest entities (PIEs) we note that social businesses and PIEs share common goals of addressing societal issues and improving public welfare, but they differ significantly in their operational models, funding mechanisms, and accountability structures. The key difference is the source of funding and financial objectives. Social businesses are typically private sector entities that aim to address social, environmental, or community issues through sustainable business models. In contrast, PIEs are typically funded through public funds, grants, or donations (Clacher et al., 2019). Hence, the primary objective of PIEs is to maximise social welfare and public good rather than generating financial returns.

In addition to the commonalities and differences with other types of organisations, social businesses vary across different cultural and regional contexts, influenced by local needs, societal values, and regulatory environments (Kerlin, 2017). For example, in Western Europe (e.g., the United Kingdom and the Netherlands), social businesses often emerge in response to state welfare retrenchment and focus on delivering public services, such as healthcare and education (Defourny & Nyssens, 2010). A notable example is the UK's Social Bite, which operates cafés to employ and support homeless individuals, integrating them back into society through job training and housing initiatives. In contrast, social businesses in Latin America, such as those in Brazil and Colombia, address social issues such as poverty, inequality, and access to basic services (Rebehy et al., 2017). These enterprises often adopt innovative models to deliver affordable and accessible solutions to marginalised communities (Nicholls, 2013). For example, Brazil's Moradigna works to improve housing conditions in low-income areas by providing affordable home renovation services, thereby enhancing residents' quality of life and health. A cultural emphasis on community and collective well-being drives many social businesses in this region to adopt cooperative structures, ensuring that profits are reinvested into the community or used to scale impact (Nicholls, 2008).

In Asia, the landscape of social businesses is equally diverse, with variations across countries (Kerlin, 2017). In India, for example, social businesses often target rural development, focusing on agricultural improvements, access to clean water, and renewable energy solutions (Karamchandani et al., 2011). An exemplary case is SELCO India, which provides solar energy solutions to underserved rural populations, promoting sustainable development and improving living standards. In Japan, the rapidly aging population has become a significant public policy concern, leading to initiatives aimed at mitigating the challenges associated with a shrinking workforce and increasing caregiving needs (Tanimoto, 2012). Therefore, social businesses are frequently driven by the need to address aging

populations and promote social inclusion for the elderly people (Hwang et al., 2017). Similarly, in South Korea, the aging population presents unique challenges. The high poverty rate among South Koreans aged 66 to 75 underscores the urgent need for effective social inclusion strategies (Hwang et al., 2017). Social businesses in South Korea often address the isolation and economic vulnerability of the elderly by creating opportunities for social participation and employment (Bidet & Eum, 2011). These initiatives in Japan and South Korea reflect a broader trend where social businesses align their missions with pressing demographic challenges, thereby contributing to the welfare of populations and promoting social inclusion.

As social business is a form of hybrid organization, it also faces different types of hybridity challenges. By exploring the literature on hybridity and social enterprises, Battilana and Lee (2014, p. 409) suggested that the multiple forms and structures (e.g., business and charity forms) of hybrid organizations manifest internal challenges in terms of managing identity, resource allocation and decision making, and externally in terms of managing relations within a ‘bifurcated organizational environment’. We recognised these challenges raised in the literature mostly in terms of the goals (e.g., social and financial objectives), the financing (i.e., self-financing vs. donations and grants) and the structure of social businesses. We develop an accountability framework for social business to overcome these challenges.

3. Theoretical framing of accountability by social business

We use the blended value perspective and accountability theory to motivate our expectations of a broader accountability (i.e., including dialogue, actions and engagement) to multiple stakeholders. Our theoretical perspectives are also in line with normative stakeholder theory.

3.1. *Blended value*

The blended value perspective suggests that organizations should create both social and economic value, with the assumption that these values are interconnected, rather than separate

(Emerson, 2003; Nicholls, 2009). This perspective has accountability implications for social business in that it envisions a more complex, multi-faceted and multi-stakeholder accountability approach (Christensen & Ebrahim, 2006; Connolly & Kelly, 2011). Emerson (2003) suggested that social business is characterised by creating both economic and social value which are not necessarily two separate values but is blended together in a way that these are parts of a whole. Nicholls (2009) indicated that social businesses attempt to be self-sufficient and rely on their own generated income to address social objectives. Thus, social businesses are accountable for both social and economic value creation (Manetti, 2014).

Within the blended value creation perspective, it can be argued that social businesses are accountable to multiple stakeholders (Connolly & Kelly, 2011) with different objectives, demands and expectations. More specifically, social businesses are accountable to their stakeholders for providing accounts on blended value created. In creating blended value, social businesses are confronted with the diverging interests of downwards stakeholders such as clients and beneficiaries impacted by their social mission and of their upwards stakeholders such as investors and lenders (Ebrahim et al., 2014). The blended value concept therefore creates higher expectations for social businesses to meet their social mission and financial objectives. Furthermore, social businesses operate under conditions of limited performance reporting, with a minimal disclosure regulation and few accounting conventions (DiMaggio & Anheier, 1990). In addition, ESG reporting and disclosure has not really been extended yet to the social business context. In this context, the blended value perspective provides an accountability logic for social businesses; they are not only accountable for their financial performance and activities, but also for their social mission, performance and impacts (Manetti, 2014).

Prior literature pointed out that blended value accounting provides valuable benefits for social businesses. First, blended value accounting provides a lens for social businesses to

capture their blended value creation and thereby produce comprehensive accounts that demonstrate accountability to all their stakeholders. Second, blended value accounting promotes the dialogue between social businesses and their stakeholders, in order to stimulate social change and legitimise social businesses (Manetti, 2014; Nicholls, 2009). Third, blended value accounting enhances internal management information systems that help social businesses to track data and facilitate the decision-making process effectively (Emerson, 2006). Finally, blended value accounting enables social businesses to improve the quality of their internal control systems.

3.2. Accountability perspectives

From a broad perspective, accountability is seen as an organisational or personal virtue (Bovens, 2010). In this very broad sense, accountability is basically an evaluative concept rather than an analytical one (Dubnick & Justice, 2004). It comes close to ‘a sense of responsibility’ and ‘responsiveness’, and also conveys the notion of a willingness to act in a fair, transparent, and equitable way. In this regard, accountability is a normative concept for evaluating the behaviour of actors (Bovens, 2010). Previous literature under this broad concept often focused on normative issues, standards and assessments of the behaviour of agents (O’Connell, 2005). In a narrow sense, accountability is defined as a relationship involving the “giving and demanding of reasons for conduct” (Roberts & Scapens, 1985, p.447). It is generally assumed that some people have the right to make these demands. Gray et al. (1987) call these people the ‘principal.’ In this setting, other actors have a duty to provide this information, seen as the ‘agent’ by Gray et al. (1987). These rights involve the transfer of some responsibilities or resources from the principal to an agent, with some expectations surrounding this transfer. It is these expectations surrounding the activities and actions, which provide the terms of the accountability relationship (Gray et al., 1996). These expectations are often complex and can be either written and explicit or unwritten and implicit (Gray et al., 1996).

The concept of accountability has been widely discussed in academic literature (Edwards & Hulme, 1996; Gray et al., 1996, Roberts 1991, 1996, 2009) and different approaches to accountability has been suggested. Among these, the most influential are the socialising forms of accountability proposed by Roberts (1991). Drawing on Habermasian theory, Roberts (1991) proposed socialising forms of accountability as an alternative form of accountability. This involves recognising a range of other accountor and accountee relationships that are (or need to) take place. Therefore, managers of companies should recognise a broad range of stakeholders and understand their interests and demands. Subsequently, accountability is discharged through sense-making talk (Roberts, 1991).

Accountability is therefore a multifaceted concept that requires further investigation, especially with reference to hybrid organizations (e.g., social enterprises, social businesses, and cooperatives) (Mäkelä et al., 2017). Andreus and Costa (2014) explained that accountability of hybrid organizations should also consider other aspects, i.e., the relationship with stakeholders (Cooper & Owen, 2007) and the ability to reach stated objectives, which are by definition not only economic, but also relevant to the social and/or environmental dimensions. However, the literature on accountability for hybrid organizations, such as social business, is found to be under-theorised and lacking a rigorous framework (Ebrahim & Rangan, 2014). Simultaneously, there is growing public interest in the need to develop accounting tools for measuring and disclosing the environmental and social impacts of social businesses (Vik, 2017). As a result, Mäkelä et al. (2017) emphasised that an accountability framework should be developed and implemented to achieve and support the dual objectives, while making visible the unique circumstances of such organizations, and their organisational setting. Accountability for social and environmental impacts and issues (ESG) resulting from their operations and activities should also be considered in the accountability framework, in line with our argument

that social businesses are regarded as being more ethical and socially concerned as a business form.

4. Accountability by social businesses

When exploring accountability, three questions are foundational and very useful in contextualising the analysis: first, *to whom are social businesses accountable* (accountability directions) (Bovens, 2007; Ebrahim, 2010). Second, *for what are social businesses accountable* (accountability content) (Bovens, 2007; Ebrahim, 2010). And third, *how is accountability discharged* (accountability mechanisms) (Bovens, 2007; Ebrahim, 2010). These three dimensions of accountability will be explored in order to develop an accountability framework for social business.

4.1. Accountability directions – ‘to whom’

For any organization, the formal analysis of ‘stakeholders maps’ and the derivation of different forms of information that would be required for each relationship in the map, including financial, environmental and social information, will ensure the completeness of fulfilment of accountability (Gray et al., 2006). As a consequence, identification of stakeholders is a key factor within relational accountability.

Ebrahim (2003) proposed accountability directions in the context of not-for-profit organizations. Internal stakeholders are entities within an organisation, such as managers, employees and the board of directors. External stakeholders refer to entities not within an organisation such as investors, regulators and beneficiaries, who are affected by, or care about, organisational performance. Christensen and Ebrahim (2006) broadened the direction of accountability through an analysis of the accountability processes in a not-for-profit organisation that serve immigrants and refugees. They highlight that not-for-profit organizations should be responsible to upwards stakeholders (upwards accountability), taking

responsibility to volunteers and staff (lateral accountability), and rendering responsibility to clients and beneficiaries (downwards accountability). Such multiple levels of accountability require formal (i.e., reporting and regulatory requirements) and informal (i.e., dialogues to engage and discuss actions) accountability mechanisms, as ultimately accountability should create a culture of trust among stakeholders (Christensen & Ebrahim, 2006).

As the purpose of a social business is to create blended value, directions of accountability to stakeholders of social businesses will differ from those of not-for-profit organizations and for-profit organizations. We describe these in Table 1. More specifically, accountability of social businesses to upwards stakeholders involves their relationships with investors, funding providers and governments and is related to how social businesses obtain and spend financial resources (e.g., funding received) for designated purposes. The accountability to downwards stakeholders refers to the relationships with people for whom social businesses offer products or services. These include both their commercial customers and those stakeholders that are the focus of the social mission and goals, as well as the general public and society. Social businesses' accountability to inwards stakeholders involves a responsibility to its staff and volunteers. Social businesses also have horizontal accountability towards other social businesses, partners and suppliers. Accountability at each level requires different types of mechanisms (with some overlap across levels). These mechanisms range from formal components such as reporting, to informal elements, such as stakeholder engagement and open dialogue among beneficiaries and staff (Christensen & Ebrahim, 2006).

<<Insert Table 1 here >>

4.2. Accountability content – ‘for what’

In reviewing the prior literature on the “accountable for what” agenda, researchers have discussed issues, categories and drivers through describing and identifying the core areas that various organizations are accountable for. Stewart (1984) adopted a normative approach to

identify some ‘bases of accountability’ in a public-sector setting. Based on Stewart’s (1984) ladder, Kearns (1994) proposed an analytical framework of accountability for not-for-profit organizations: compliance accountability, negotiated accountability, professional/discretionary accountability and anticipatory/positioning accountability. Furthermore, some scholars (Andreaus & Costa, 2014; Costa et al., 2014) have identified dimensions of accountability as the social effectiveness dimension, the institutional dimension, and the economic and financial dimension.

In terms of the content that social businesses should be accountable for, this should include financial information (for the economic and financial dimension), i.e., financial performance measures and assets and liabilities. Social impact measures will be another important measure (in the social effectiveness dimension) to show how the social impacts were achieved. We argue that accounting and accountability for ESG falls into the social effectiveness and institutional dimensions and social business will need to account for the social and environmental impacts of their activities and operations.

Previous studies have a shared theme: traditional measurement of social accounting (often financially oriented) is based on a unified understanding of corporate accountability and cannot capture the richness of the context that hybrid organizations, such as social businesses, operate within. More specifically, different methods exist for measuring social impact, yet not all benefits or impacts can be meaningfully quantified (Molecke & Pinkse, 2017). For example, how do you measure the value of life-saving interventions? How do you measure people’s happiness? However, the importance of social impact measurement has been highlighted by many scholars. It can help to monitor and improve the efficiency and effectiveness of enterprises’ operations (Arena & Azzone, 2005). In addition, it provides accountability and transparency regarding corporate performance to internal and external stakeholders (Arena et al., 2015). A number of stakeholders such as investors and banks are often reluctant to invest

in social businesses because of limited information about their social performance (Arena et al., 2015). Furthermore, social impact measurement can motivate employees because they may experience that they are creating real social value (Epstein, 2018). Social impact measurement, although an important part of accountability for social businesses, is complex. Formal methods (e.g., social return on investment, balanced scorecards, etc.) are normally not used by social enterprises and social businesses (Molecke & Pinkse, 2017). A number of researchers suggested alternative methods. For example, Costa and Pesci (2016) indicated the importance of stakeholder involvement in impact measurement. They propose a multiple-constituency framework that involves stakeholders participating directly in managing and selecting performance indicators.

The explicit goal of social businesses is to create social value (impact), but it should do so in a financially sustainable way (André et al., 2018) as well as in an environmentally and socially sustainable way. Therefore, social business is an example of a hybrid organization with two institutional logics, which means pursuing different, potentially conflicting, objectives (Pache & Santos, 2013). Such tension between a financial and social mission makes social businesses an interesting arena for research on accounting and accountability, as well as how such organizations discharge their accountability in practice (André et al., 2018). For example, Connolly and Kelly (2020) reviewed the annual reports of social enterprises in the United Kingdom to examine the types of accountabilities disclosed. The authors found that the sample companies focus on disclosing information about social missions, objectives, and governance practices, but lack information regarding financial and social performance. The hybrid nature of social businesses therefore presents an accountability challenge.

4.3. Accountability mechanisms - ‘how’

Accountability mechanisms are defined by Christensen and Ebrahim (2006, p. 196) as distinct actions or processes designed to ensure a specific type of outcome.

4.3.1. Accountability through disclosure

Some scholars (e.g., Bushman & Smith, 2001) explored corporate accountability from an agency theory perspective whereby transparency in the form of accounting, financial reporting and voluntary disclosures to shareholders is an imperative mechanism for aligning management and shareholder interests. Managers have to provide accurate information to shareholders so as to permit them to evaluate how the managers have discharged their duties. Therefore, disclosures such as annual reports, ESG reports and other forms of information disclosure is the most widely adopted by stakeholders (i.e., investors, funders and the government) to assess the fulfilment of accountability (Brennan & Solomon, 2008;). Disclosure is the most widely adopted mechanism of accountability, which leads to organizations pursuing accountability through transparent disclosures (Roberts, 2009). For example, the Gray (1992, p. 415) suggests:

“The development of accountability ... increases the transparency of organizations. That is, it increases the number of things that are made visible, increases the number of ways in which things are made visible, and in doing so encourages a greater openness. The inside of the organisation becomes more visible, that is transparent”.

In this sense, the preparation and publication of accounts can be seen as accountability, for all that accountability requires is this making visible of ‘what is’ (Roberts, 2009). However, an account cannot be a perfect representation of reality, as the account is partial, selective and a narrow view (Gray et al., 1996; Roberts, 2018). Roberts (2009, 2018) pointed out, that if we only rely on disclosure as a mechanism of accountability, this could serve to weaken the effectiveness of accountability. As Strathern (2000a) indicated, disclosure typically ‘works backwards’ from relevant categories, which are assumed to be ‘known in advance’, and the measurement of evidence, in terms of these categories. Then, by translating measures into goals or targets, disclosure becomes accountability (Strathern, 2000a). At the same time, the system of measurement also sets the ideal or desired level of attainment (Roberts, 2018). Therefore, disclosures may be constrained by companies' efforts to mitigate the impact of their acknowledged poor social and environmental performance (Cho et al., 2012).. Accordingly,

disclosure as an instrument of accountability, by the means of sanctions and incentives, transforms a mere making visible into a norm with which a company will be judged and should judge itself (Strathern, 2000b). From this perspective, disclosure involves masking the complexity of organisational reality and reducing it into a few simple indicators (Roberts, 2009). In this way, the company could manufacture an appearance that is gradually divorced from operational realities (Roberts, 2018).

Furthermore, the adoption of conventional accounting principles and frameworks to social businesses is misleading as financial indicators fail to provide a comprehensive assessment of organisational performance (Reheul et al., 2014). Maddocks (2011) stated that conventional accounting shows an incomplete picture of social business as information regarding performance, success and impact are underdeveloped or missing. Molecke and Pinkse (2017) concluded that social impact measurement has become an imperative practice for social businesses. However, social impact measurement is a contested concept (Choi & Majumdar, 2014). The ambiguity around social impact measurement includes the definition of social impact, the methods to measure social impact, and the relationship between social businesses' inputs and impacts (Ebrahim & Rangan, 2014).

In summary, the blended value of social businesses cannot be assessed through conventional accounting measurements; the accountability system needs to be expanded (Andreaus & Costa, 2014). That is, accountability systems should focus not only on financial performance, but also on the social impact as it effects multiple stakeholders (Andreaus & Costa, 2014).

4.3.2. Accountability through active enquiry

O'Neill (2002, p. 76) proposed the concept of 'intelligent accountability' which "grows out of active enquiry rather than blind acceptance..... [i]n traditional relations of trust, active enquiry was usually extended over time by talking and asking questions, by listening and seeing how

well claims to know and undertakings to act held up over time”. Along the same lines Roberts (2009, 2018) elaborated the importance of intelligent accountability, as showing or making visible a set of predetermined categories, as well as active enquiry, such as asking questions, listening and talking, through which the accuracy of the indicators can be understood.

A number of scholars have discussed stakeholder engagement as an accountability mechanism. The importance of stakeholder engagement (i.e., discussion and dialogue) was proposed by Roberts as “dialogue as a process and practice of accountability” (Roberts, 1996, p.59). Hence, while disclosure as an instrument of accountability rely on periodic snapshots (such as an annual report and an ESG report) in order to capture corporate performance, accountability is also an ongoing process that extends over time and develops an understanding of the actual practices through active enquiry.

Mäkelä et al. (2017) indicated that the understanding of accountability should recognise stakeholder responses, the richness of emotions, and humanity within an accountability relationship, thereby respecting the multi-dimensionality of accountability (e.g., grassroots accountability or Robert’s socialising forms of accountability). With regards to the multi-dimensionality of accountability, O’Leary (2017) analysed grassroots accountability in not-for-profit organizations. She highlighted that accountability is a process of fulfilling a specific promise. It is therefore not just a commitment to provide an account of a particular behaviour or action, rather, the promise can stem from ethical responsibilities and could have societal and transformational implications.

4.3.3. Accountability through action

The concept of action as a fundamental component in discharging accountability has been advanced by Oakes and Young (2008). Their historical examination of a Chicago-based not-for-profit organisation, spanning the late 19th and early 20th centuries, revealed a form of accountability characterised by more 'personal encounters,' contrasting with the contemporary

emphasis on bureaucratised, formal, and more impersonal modes of accountability (Parker, 2014). In Oakes and Young's (2008) research, accountability is discharged through personal reciprocity between the accountant and accountees in which love, care and friendship is experienced through a contextualised and specific moral action. Drawing on Benhabib (1985), accountability is regarded as executable through addressing both the individual and broader demands of various groups, including sweatshop workers, immigrants, and the poor (Oakes & Young, 2008).

As Sinclair (1995) suggested, accountability encompasses not only the process of holding accountors to account but also necessitates that accountors devise methods for 'performing' an account. Gray (2002) criticised accountants for prioritising formal over informal presentations of accounts. Consequently, there is a risk that a broader range of potential methods for rendering corporate accountability may be overlooked (Parker, 2014). In this regard, Messner (2009) emphasised that accountability not only focuses on what is rendered accountable, but also on how accountability is implemented. Observable action is an often-ignored means of rendering accountability (Butler, 2009; Messner, 2009). Parker (2014) indicated that discharging accountability through actions should be recognised as an integral aspect of routine daily behaviour, since accountors are accountable for themselves and express it through corporate social missions and actions (Giddens, 1979; Roberts & Scapens, 1985).

In exploring corporate accountability, observable actions offer insights into the fulfilment of accountability (Parker, 2014). This assertion is supported by research on contemporary corporate environmental disclosures and ESG conducted by Cho et al. (2012), which is titled "Do Actions Speak Louder Than Words?" They suggested that observation of corporate actions offers more revealing corporate accountability in the ESG dimension.

4.4. An Accountability Framework for Social Business

As the blended value creation of social businesses suggests, a specific accountability framework for social business is required. Therefore, an accountability framework for social business is developed based on the above discussion – see Table 2. First, voluntary foundations to accountability initially drive the mission of social businesses, but it is impossible to establish an appropriate voluntary mechanism without first complying with legal obligations (Connolly & Kelly, 2011). Therefore, legal obligations need to be met. That involves the implementation of appropriate internal controls and compliance with regulatory filing and reporting obligations (i.e., financial statement and governance mechanisms). Such legal accountability is mainly for upwards stakeholders and the government/regulatory authorities. This dimension also includes reporting on ESG activities and performance, which is often unregulated but expected by stakeholders, such as funding providers.

<< Insert Table 2 here >>

Second, social businesses are accountable for their activities, including their social impacts and governance initiatives to efficiently manage and align their dual objectives, namely financial and social goals. This provides visibility of corporate strategies and resource allocation to strategies and goals (Stewart, 1984; Frumkin & Clark, 2000). Accountability for activities encourage social businesses to concentrate on the interests of all their stakeholders. For example, this encourages management to focus on issues that are of important to stakeholders who are providing the resources for the social businesses as well as on the interests of customers and beneficiaries for issues such as corporate mission fulfilment. In addition, social businesses should also be accountable for their ESG activities to assure stakeholders that they did not damage the natural environment and were socially responsible in their operations (Huang et al, 2024), this will enhance stakeholder relationships and societal legitimacy.

Third, one of the key features of social businesses to achieve a social impact. This perspective is similar to the fourth rung of Stewart's ladder (program accountability) – organizations have an accountability for their mission, objectives and outcomes.⁵ Accordingly, social businesses should be accountable for the social impacts and activities related to their corporate mission. Social impact should be measured, evaluated and accounted for in relation to the social mission and goals. Social impact measurement needs to be suitable to determine achievement and the accountability mechanism should align with the stakeholder group that is being accounted to (i.e., disclosure, stakeholder engagement and dialogue, action).

5. Conclusions

This paper aims to develop an accountability framework for social business. To achieve this aim, we systematically reviewed the literature on accountability, blended value, and social business and developed a framework of accountability for social business. We argue that social businesses require an extended form of accountability that is underpinned by the complexity of its dual objectives, hybrid structure and blended value creation perspective. We propose a framework of accountability for social businesses that includes accountability for regulatory requirements, accountability for activities, and accountability for programs. We have proposed that accountability of social businesses should be extended to include a wide range of stakeholders and a wide range of information, including ESG information. Finally, we argue that the current western form of discharging accountability through reporting only would be inadequate in the case of social business. Social businesses should consider discharging their accountability through reporting, dialogue and engagement, governance, and actions. With regards to social impact measurement by social business, we suggest that not only is there a

⁵ Stewart (1984) proposed the idea of a 'ladder' of accountability, including accountability for probity and legality (the first rung of the ladder), process accountability (the second rung of the ladder), performance accountability (the third rung of the ladder), program accountability (the fourth rung of the ladder), and policy accountability (the last rung of the ladder). Program accountability is concerned with rendering an account of the mission, objectives and outcomes (Stewart, 1984).

need to develop techniques to measure social impact but also the best way to report social impacts should be developed. The current accountability literature is limited in addressing this issue, which in a way constrains the discharging of accountability to reporting only. As the main aim of social business is to create a positive social impact in the society by addressing social issues, it is of utmost importance to develop the way social impacts should be communicated to the relevant stakeholders.

This paper makes several key contributions to the academic literature on social businesses and accountability. First, it expands the conceptualisation of accountability within social businesses by introducing a framework that accounts for their dual objectives of social and financial value creation. By integrating the concepts of blended value and hybrid organisational structure, this framework challenges the traditional, finance-centric notion of accountability, proposing a more comprehensive approach that includes regulatory compliance, operational activities, and programmatic outcomes. Second, the framework underscores the importance of extending accountability to a broader range of stakeholders and incorporating social and environmental information into accountability practices. This extension not only broadens the scope of what is reported but also how accountability is discharged. Third, this paper contributes to the ongoing debate about the adequacy of current accountability mechanisms in capturing the full spectrum of social impacts, particularly highlighting the limitations of reporting-only models and the need for more dynamic and participatory forms of accountability.

The framework proposed in this paper offers significant practical implications for social businesses, regulators, and other stakeholders. Social businesses can apply this framework to enhance their accountability practices by broadening their focus beyond traditional financial reporting to include comprehensive disclosures on their social and environmental impacts. This includes adopting more robust mechanisms for engaging with a wider range of stakeholders,

ensuring that their actions, dialogues, and governance structures align with their blended value creation objectives. Regulators can utilise this framework to develop or refine accountability standards that recognise the unique hybrid structure of social businesses, ensuring that such standards capture the full spectrum of social, environmental, and economic responsibilities. Additionally, by embedding the principles of this framework into their operations, social businesses can better demonstrate their commitment to social impact, thereby strengthening their accountability and fostering trust among stakeholders.

The research has several limitations. The accountability framework is purely conceptual, and so needs further modification by examining multiple cases through field study. For example, further research can be done in a qualitative fashion by doing interviews with key managers and stakeholders. Furthermore, empirical research can be conducted to determine to what extent social businesses are applying the framework in practice and what challenges they face in discharging accountability. The accountability framework has been developed from a western conceptualisation of accountability. While the socialising forms of accountability through sense making talk (i.e., active enquiry and action) and dialogue that we include in the framework can be applied in other socio-political contexts, that goes beyond the aim of this paper. Building on the framework developed in this study, future research could explore several avenues to deepen our understanding of accountability in social businesses. One promising area for further investigation is the application of the framework across different cultural and regulatory contexts to examine how social businesses adapt their accountability practices to local conditions. Additionally, future research could focus on the development of innovative techniques for measuring and reporting social impacts, particularly in ways that are both meaningful to stakeholders and feasible for social businesses to implement.

6. References

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Tables:

Table 1. Accountability directions in the context of social business

Accountability direction	Principal Stakeholders	For What
Upwards	Investors, funding providers, government	Financial information, social impacts, and ESG information
Downwards	Beneficiaries, public, customers	Activities and Social impacts ESG information Financial information
Inwards	Staff, volunteers	Activities, social impacts, financial impacts, ESG impacts
Horizontal	Other social businesses, suppliers	Financial information Activities Social goals

Table 2. Accountability framework in the context of social businesses

	Accountability to whom	Accountability for what	Accountability mechanism (How)
Legal Accountability obligations	Upwards stakeholders	Compliance with regulatory filing and reporting obligations (i.e. financial statement and governance mechanisms)	Reporting and disclosure of financial information, social impacts, and ESG information
Accountability for activities	All stakeholders	Information on the activities and performance as well as corporate strategies and resource allocation. This includes ESG activities and initiatives	Disclosure and assessment (i.e., social impact measurement and ESG activities) Engagement and dialogue with stakeholders to convey this information Accountability through Active Enquiry Accountability through actions (i.e., actions can be used to show how social missions are achieved)
Program accountability	All stakeholders	Accountability for programs, including the social impacts, and activities related to their mission.	Disclosure and assessment (i.e., social impact measurement and ESG activities) Engagement and dialogue with stakeholders to convey this information and listen Accountability through Active Enquiry Accountability through actions (i.e., actions can be used to show how social missions are achieved)