Business Models and Practices to Increase Social Enterprise Efficacy in a Shareholder Economy

Research Problem

- Shareholder capitalism contributes to wealth inequality, environmental degradation, and erodes the long-term health of the business (Keay, 2022)
- Social enterprises struggle to coherently align with their purpose and values internally and externally, with the complexity causing mission drift (Battilana et al., 2022)

Research Question

What are the business models and practices that can support social enterprises more coherently and effectively express their prosocial purpose?

Objectives

- Discover if **employee ownership** provides an alternative business model to shift away from shareholder primacy for social enterprises.
- Research if **embedded purpose and values** can moderate employee ownership and lead to stronger and more effective expression of prosocial purpose.

Methodology

Comparative Case Study

- Measure levels of purpose and values embedded in the organization (perception of purpose, SOPs, communications, etc.)
- Compare three businesses
  - Type of employee ownership (Coop, ESOP, EOT)
  - Phase of employee ownership (launch, transition, exit)

Relevant Literature

- History and theory of shareholder capitalism
- Critical Management Studies
- Employee ownership models and moderating business practices
- Embedded purpose and values (Henderson, 2023)
- Distributed decision-making (Greenwood & Mir, 2008)
- Social enterprise models and measurement

Contribution

- Roadmap of business models and business practices for social enterprises to express their stated purpose coherently and effectively both internally and externally
- Contribute to understanding of policies and supports for employee ownership and social enterprises

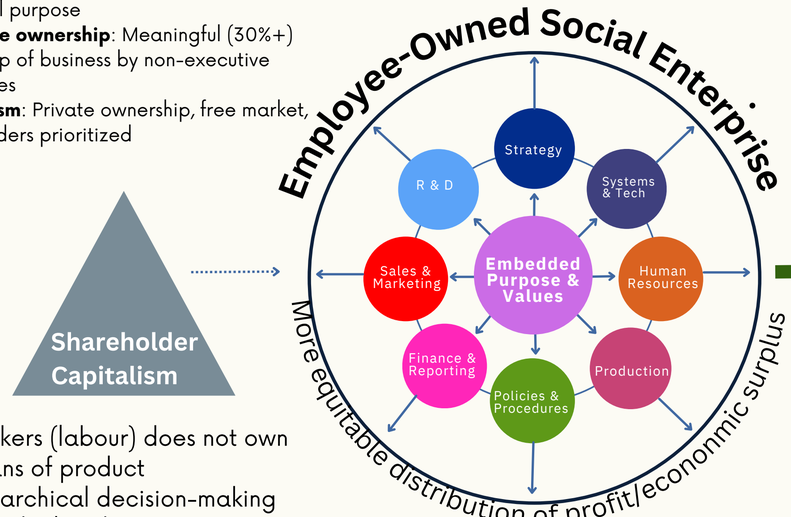
Potential Theory

Ecological System Theory

- Business system mimics natural systems (Hahn & Tempe, 2021)
- Interrelated and interconnected
- Problem solving through embracing complexity and iterative adapting to both stressors and opportunities

Conceptual Framework

Social enterprise: dual-purpose company with goals of financial sustainability and prosocial purpose
Employee ownership: Meaningful (30%+) ownership of business by non-executive employees
Capitalism: Private ownership, free market, shareholders prioritized



- Embedded purpose and values in all areas and systems of the social enterprise increase internal strength and sustainability
- Distributed decision-making

Shareholder Capitalism

- Workers (labour) does not own means of product
- Hierarchical decision-making
- Individual and competition prioritized
- Short-term profit focus
- Environmental and socio-economic harms

Prosocial Purpose

- Workers more directly benefit from labour
- Collective value-creation/ flourishing prioritized
- Long-term health of the whole system prioritized
- Expression of purpose benefits community, society, and economy

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