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# Re-Conceptualizing Social Value: Applying the Capability Approach in Social Enterprise Research

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## ABSTRACT

In an effort to develop a unified perspective of the term social value, this paper argues that it should be viewed through the lens of the capability approach. A sample of 34 empirical research articles that apply the capability approach are examined to increase understanding about how it may be applied to measure social value. Findings reveal that the capability approach is commonly used in empirical research for: human well-being assessment; core needs identification; and measurement of capability dispersion. This paper argues that the capability approach is particularly appropriate for measuring capability dispersion, which most relates to social value creation.

## KEYWORDS

Social enterprise; social value; capability approach; human development; social value measurement

## Introduction

Social enterprises are an emerging form of business that aim to address social problems, making an understanding of their social activities essential for evaluating their efficacy. Academic research on social enterprises suggests they create social value (Mair, Battilana, and Cardenas 2012a; Mair and Marti 2009). While there is no consistent definition or way of measuring the concept of social value, it commonly indicates the efforts and activities that social enterprises engage in to address social problems (Mair and Marti 2006). This common understanding of social value is the definition used for it in this paper. However, because social problems are multidimensional in nature (Mair and Marti 2009), this research argues that the capability approach may be an alternative way of conceptualizing and measuring social value in order to increase understanding about the influence social enterprises may have on addressing issues affecting human development.

The capability approach is a theoretical framework that views human life as a multidimensional set of beings and doings that are referred to as functionings. Functionings are the achievements that people make in life and are based on human needs and desires. However, in order to meet human needs and desires, people must have the *capability* to do so. Capabilities, also referred to as human capabilities, are the available opportunities that people may or may not have to achieve their goals. The capability approach was developed by economist Amartya Sen in the 1980s in an effort to guide policies, programmes, and evaluations pertaining to human development (Sen 1993; Sen 1992). The distinction Sen makes between capabilities and functionings conveys that opportunities for human development are a means (e.g. having employment opportunities) to an end (e.g. choosing to obtain an available employment opportunity). People must have the opportunity to choose what they seek to be and do in their life. Functionings and capabilities are multidimensional because they may pertain to diverse aspects of human development.

Human capabilities may be provided by individuals themselves, social groups, government, or other institutional forms (Sen 1992). Sen argues that social interventions and evaluations should provide or consider opportunities that enable people to receive what they need and desire. Martha C. Nussbaum, another pioneer of the capability approach, suggests the institutions within society distribute human capabilities (e.g. hospitals foster capabilities that meet medical needs). Scarlato (2013) suggests that social enterprises, in particular, are a medium for disseminating human capabilities via their services. In a case study on a national economic development plan in Ecuador, the author suggests the plan aims to advance quality of life through developing social enterprises that would serve as a means for providing services to communities in need. In this sense, the social services or socially conscious products that social enterprises provide or sell are viewed as fostering human capabilities.

Given the suitability of using the capability approach in social enterprise research, this paper explores how it may be applied to measure social value creation in social enterprises. The research question driving this study is: 'How can the capability approach be used to measure social value creation?' In an effort to answer this research question, this research scans and examines academic literature that applies the capability approach in empirical research. Though not a universal literature review, this research found three main utilizations of the capability approach in empirical research: human well-being assessment; core needs identification; and measurement of capability dispersion.

The next section of this paper outlines the conceptual framework of this paper. The following two sections describe the literature scan and findings. The section that follows provides illustrative case studies of social programmes and organizations that employ the capability approach in practice. The next section discusses boundary conditions and limitations for using the capability approach in social enterprise research, along with propositions made about how social value may be conceptualized in future research. The final section outlines the conclusions of this paper, specific questions for future research, and some suggestions for using the capability approach in the practice of social enterprise.

## Conceptual framework

Social enterprises differ from traditional businesses in that they have two primary considerations – social and economic value creation (Mair and Marti 2009; Austin, Stevenson, and Wei-Skillern 2006). Economic value is commonly understood in the literature as the revenue generated by social enterprises. However, there is no consistent definition or way of measuring social value, which may be thought of as the services, products, and/or development of organizations that aim to address pressing problems affecting people and society (Mair and Marti 2006; Dees 2001). While research asserts that social enterprises target a broad set of social issues (Mair, Battilana, and Cardenas 2012a), few empirical studies explore the types of issues they address and what strategies they implement to address them.

This paper introduces the capability approach as a framework for examining social value creation, as it is known for capturing information about social programmes (DeJaeghere and Baxter 2014; Anich et al. 2011; Schischka, Dalziel, and Saunders 2008). The capability approach asserts that human development is multidimensional and, thus, can be enriched or deprived in a variety of ways (Sen 1993; Sen 1992). Factors like income and happiness are some dimensions of human development, but not all because there are factors related to being educated, employed, and healthy that enable people to fully function in society, but that are not accounted for by quality of life measures that focus solely on income and happiness. The term capability (also referred to as human capability) is the opportunity or freedom people have to do and be what they want to do and become. The term functioning refers to the realized achievements people make in life. For instance, people may not just be poor in regards to income. They can also be poor in regards to access to fresh food (e.g. people in areas classified as food deserts). In such a case, the ability for such people to achieve a healthy

diet is limited or challenging. Creating an affordable grocery store, for example, may be a smart move for interventions that seek to improve well-being in this respect.

A growing number of scholars suggest that the multidimensional lens for viewing human development makes the capability approach useful for examining social value (Kato, Ashley, and Weaver, 2017; Ansari, Munir, and Gregg 2012). Empirical applications of the capability approach examine social issues in both developed (Wagle 2014; Anand and Van Hees 2006; Biggeri et al. 2006) and developing economies (Yu 2013; Batana 2013). Some studies use it to identify participants for social programmes. For instance, Azevedo and Robles (2013) apply the approach to recruit people with limited human capabilities in regards to education, health-nutrition, and income for a poverty alleviation programme.

The capability approach is also used to assess the degree to which social programmes attend to different human needs, particularly across organizations. In the context of social enterprise, a capability would be the opportunities provided by a service or product that a social enterprise offers or sells in an effort to advance human development. Essentially, the opportunities provided through social enterprise services or products are resources that enable their beneficiaries, if they choose, to convert those resources into opportunities that may meet their life needs and desires.

### **Empirical research on the capability approach**

While recent studies suggest that the capability approach may be useful for measuring social value in social organizations (Kato, Ashley, and Weaver 2017; Ansari, Munir, and Gregg 2012), no research explores what characteristics of the capability approach make it useful for examining how social enterprises address social problems. The current paper, thus, scans the literature to identify characteristics of empirical applications of the capability approach in research and practice that may make it a useful tool for social value measurement.

The literature examined covers a broad range of topics of research where the capability approach has been applied, but it is not meant to be an extensive review. In total, a sample of 34 studies were examined for this paper. The inclusion criteria involved identifying articles that (1) empirically study the capability approach and (2) interpret the approach as defined by Amartya Sen and/or Martha C. Nussbaum. Text within each article was meticulously reviewed to assess themes regarding the seven categories described below. Open-coding is used to assess themes within each category. Descriptive statistics is used to determine the frequency of each theme, while cross-tabulations are used to assess the relationships between themes.

#### ***Research focus***

The reason (e.g. quality of life measurement; programme evaluation) the capability approach is used empirically.

#### ***Capabilities and functionings***

Whether or not a study measures capabilities, functionings, or both.

#### ***Unit of analysis***

The focus of measurement (e.g. individuals, countries, households) in an article.

#### ***Methodology***

Whether or not quantitative and/or qualitative methods are used in the study.

#### ***Statistical technique***

The statistical technique or test used to analyse data.

### Country category

The number and specific countries where the approach was applied. The United Nations (2017) country classification was used to identify the type of economy the approach is applied.

## Findings

This study suggests that the capability approach may be used to measure social value creation. A descriptive overview of the themes with a summary of descriptive statistics is given in Tables 1 and 2. The following section provides a typology of the different utilizations of the capability approach in empirical research.

### Characteristics of empirical research that apply the capability approach

#### Research focus

The capability approach has been used to examine 11 different types of social concerns. The three most common are for assessments of multidimensional poverty (nine articles), well-being (six articles), and programme assessment (four articles).

#### Units of analysis

The units of analysis in empirical research that use the capability approach include individuals, communities, organizations, and countries. Households (20 articles) and individuals (13 articles) are the most commonly used.

#### Capability approach application focus

Similar to results from Chiappero-Martinetti and Roche (2009), most applications of the capability approach measure functionings (23 articles) as opposed to capabilities (11 articles). Because functionings are one's actual achievements (e.g. purchasing a house), they may be easier to assess than capabilities (e.g. affordable housing opportunities). Studies examining functionings typically use publicly available secondary data sources (e.g. national household surveys). Such data focus on actual well-being as opposed to opportunities to improve well-being. The focus on both capabilities and functionings make the capability approach particularly appropriate for social enterprise research. As institutions (Nussbaum 2004), social enterprises can serve as a medium through which capabilities are disseminated (Scarlato 2013). The services that social enterprises offer may be viewed as human capabilities, while the functionings may be viewed as the outcomes of those services.

#### Research method

Empirical applications use quantitative methods (27 articles), qualitative methods (4 articles), and sometimes mixed-method research (3 articles). As with any kind of research, both quantitative and

**Table 1.** Research focus in empirical applications of the capability approach.

Empirical articles $N = 34$		
Characteristic		Count
Research focus	Multidimensional poverty assessment	9
	Well-being assessment	6
	Programme impact assessment	4
	Life satisfaction assessment	3
	Child poverty assessment	3
	Quality of life evaluation	2
	Disability evaluation	2
	Governance measurement	1
	Conditional cash transfer recruitment	1
	Educational opportunity assessment	1
	Employment opportunity assessment	1

**Table 2.** Methodological characteristics of empirical capability approach applications.

Characteristic		Count
Capability approach application focus	Capabilities	11
	Functionings	23
Units of analysis	Individual	13
	Household	20
	Several countries	3
Method	Quantitative	27
	Qualitative	4
	Both	3
Statistical techniques	Fuzzy set theory	8
	Cutoffs with/without weights	8
	Regression	5
	Correlation	4
	Frequencies	3
	Factor analysis	3
	Multiple correspondence analysis	2
	Rankings	2
	Clustering	1
	Structural equations model	1
	Geographical context	Developed economy
Economies-in-transition		0
Developing		21
Diverse		6

qualitative methods can uncover valuable insights about social phenomena. Furthermore, methodological flexibility is useful in social enterprise research because it is a new field where theoretical development from both kinds of studies is needed (Hoogendoorn, Pennings, and Thurik 2010).

### *Statistical techniques*

Ten types of statistical techniques are used in empirical studies, most of which are well-known. Utilization of different statistical analysis tools is essential for assessing the complexity of social problems.

### *Geographic context*

Empirical applications of the capability approach geographically focus on countries that are developing (21 articles) and developed (9 articles). Some studies explore a mixture of both country types (6 articles); however, none of the studies particularly concentrate on countries that are classified as economies-in-transition. The geographical flexibility of the capability approach makes it appropriate for assessing the types of issues that social enterprises target around the world. Kerlin (2013) identifies various macro-institutional models for social enterprises across countries. Different models may influence the types of strategies that social enterprises employ to meet human needs. In addition, studies like Lepoutre et al. (2013) that examine social enterprise on a global level may explore how social enterprises attend to human development across countries and regions.

### *Use in Practice*

The capability approach has been used in practice to assess the impact of both singular programmes and multiple organizations (four articles) in both developed and developing countries. Mainly qualitative methods are used for data collection and analysis, which focus solely on individual beneficiaries. Only one study uses frequencies to assess the prevalence of qualitative themes. None of these studies use rigorous methods (e.g. randomized control experiments) for programme evaluations. This may be because using the capability approach, especially for programme assessment, is still new. These articles, in a way, set the foundation for more rigorous studies in the future. Each article emphasizes that the multidimensional framework of the capability approach provides rich insights about the impact of programmes on beneficiaries. They also mention the capability approach reveals

**Table 3.** Studies that use the capability approach in practice.

	DeJaeghere and Baxter (2014)	Anich et al. (2011)	Grunfeld et al. (2011)	Schischka et al. (2008)
Number of organizations	1	12	9	2
Organization type	NGO	NGO	NGO	Government programme and NGO
Intervention type	Entrepreneurship education programme	Various	Computer and communication technology training	Poverty alleviation
Capability approach-inspired intervention	Yes	No	Yes	No
Countries	Tanzania and Uganda	Tanzania	Cambodia	New Zealand and Samoa
Rural/urban context	Not stated	Urban	Rural village	Urban and rural
Focus of intervention	Programme participants	Street (homeless) children, rehabilitated street children, and children with no experience of homelessness	Diverse stakeholders (including NGO) representatives and beneficiaries)	Programme participants
Sample size	60	150	149	Not stated
Intervention duration	9 months	Varies	3 years	Not stated

information about social programmes that they did not expect to find. Features of these interventions are outlined in Table 3. Though none of these studies apply the capability approach to a social enterprise, it may prove valuable to future research.

### ***Purpose of capability approach empirical applications***

Using cross-tabulations to assess relationships between themes regarding the research and methodological focus of capability approach applications, this paper introduces three purposes for using the capability approach in empirical research including: human well-being assessment, core needs identification and measurement of capability dispersion. Descriptions for each are provided below with the number of studies conducted for each purpose in parentheses.

#### ***Human well-being assessment (28)***

Empirical applications for the purpose of human well-being assessment employ the capability approach to evaluate or measure concepts such as multidimensional poverty, human well-being, quality of life, life satisfaction, child poverty, disability, governance, and community capabilities. Some studies also measure individual capabilities such as education and employment. Studies that apply the capability approach for human well-being assessment measure either capabilities or functionings at individual, household, or countries levels and all utilize quantitative methods. Specific statistical techniques include: Fuzzy-set theory; the cutoff method; regression analysis; correlations; multiple correspondence analysis; frequencies; factor analysis; rankings; clustering; and structural equations modelling. Human well-being assessments focus on a diversity of countries, but mainly in developing countries.

Social enterprises may benefit from using the capability approach for human well-being assessment, particularly in large scale studies. Recent studies that examine social enterprise throughout the world often use the Global Entrepreneurship Monitor (GEM) to examine their establishment and activity (Lepoutre et al. 2013; Bacq, Hartog, and Hoogendoorn 2013). However, these studies do not examine the types of social issues that social enterprises target. Coupling the capability approach

with the GEM or other international studies would enable cross-country comparative analyses of the issues that social enterprises target.

### ***Core needs identification (8)***

Studies that empirically apply the capability approach for purposes of core needs identification seek to determine the main issues/needs affecting people within a particular group or geographic area. These studies revolve around generating a core list of capabilities for a particular social group (e.g. children, core poor) or community. Core capabilities are measured at the individual or household level and tend to utilize quantitative methods for data collection and assessment. The studies occur in developed and developing countries and seek to identify needs that are valuable to particular communities. Statistical techniques used in these studies include: the cutoff method, regression analysis, correlations, frequencies and factor analysis. Though none of the studies in this sample use qualitative methods, methods such as focus groups, case studies, and interviews may be useful for assessing the core needs of a community.

Using the capability approach for core needs identification may help social entrepreneurs design social enterprise services. Social enterprises are often locally embedded in that they develop to address local community needs (Eversole, Barraket, and Luke 2014; Seelos et al. 2011). While previous research suggests that social entrepreneurs seek to address institutional voids (poverty-related social problems) (Mair and Marti 2009), there is no understanding of how they can specifically develop social enterprises that seek to strategically design interventions around multifaceted community development. Using the capability approach may help social enterprises identify the core needs of their target beneficiaries in an effort to strategically design programmes and services that meet them.

### ***Measurement or capability dispersion (4)***

Studies that apply the capability approach for capability dispersion are those that measure the influence of a programme or institution on the lives of its beneficiaries. These studies all measure human capabilities that are dispersed through social organizations or programmes, illustrating Nussbaum (2004)'s idea that institutions are the distributors of human capabilities. As shown in Table 3, some programmes specifically design their programmes to foster specific human capabilities (DeJaeghere and Baxter 2014; Grunfeld, Hak, and Pin 2011).

Using the capability approach to measure capabilities dispersed through one or more organizations is particularly useful in regards to the research question driving this paper. Specifically, measurement of capability dispersion involves assessing capabilities and functionings advanced through a social intervention or organization. The capability approach can be used to measure social value creation of social enterprises by simply assessing the type of social services and socially conscious products they offer or sell. Such assessment may deepen understanding of the types of capabilities and functionings that are influenced by social enterprises (Scarlato 2013; Cornelius and Wallace 2013).

Based on these results, this paper argues that capability approach is an appropriate tool for measuring social value creation by social enterprises. Social enterprises create social value in a multiplicity of ways (Mair and Marti 2009). Some examples of how social enterprises create social value include selling products that are a social benefit (Weaver 2017), developing social programmes or businesses (Akingbola 2015, 52; Ferguson and Islam 2008), or by developing social movements (Alvord, Brown, and Letts 2004). By creating social value in these diverse ways and more, social enterprises increase the opportunities and choices people have to meet their needs and desires. As such, the capability approach is an appropriate technique for measuring social value creation because it founded on the idea that people have different preferences about what they want to do and be in their life, but need to have the choices and opportunities to be and do what they want (Sen 1992). Essentially, the capability approach may be used to assess how social enterprises aim to create social value, as well as their impact.



## Examples of organizations that measure capability dispersion

Capability dispersion may be defined as the choices or opportunities provided by an institution through its services and programmes. The idea is similar to that of structuration theory, which suggests institutions exist to meet specific human needs (Giddens 1979). Structuration theory specifically suggests people organize through institutions (structures) that enable them to function in a particular manner (Giddens 1979; Mair and Marti 2006). Capability dispersion reflects how institutions, in this case social enterprises, aim to meet human needs.

Two cases are provided below to illustrate how the capability approach has been applied to measure capability dispersion by social institutions and programmes (DeJaeghere and Baxter 2014; Anich et al. 2011; Schischka, Dalziel, and Saunders 2008). However, as shown in Table 3, no practical applications in the sample of articles featured in this study use the capability approach to measure capability dispersion in a social enterprise. By illustrating how capability dispersion is applied in non-governmental social programmes, this paper illustrates how it may be useful for measuring social value creation in social enterprises as well.

### Case 1: Knowledge and Skill-Building Programme on Information Technology

iReach is a community-based communication telecentre programme that provides training and computer equipment in nine village hubs throughout Cambodia (Grunfeld, Hak, and Pin 2011). It was specifically designed to advance capabilities, empowerment, and sustainability in Cambodia by facilitating access to information and communication technology. Focus groups are used to assess capabilities and functionings influenced by the programme. Subjects include 149 people from different backgrounds (e.g. teachers, fisherman, NGO representatives, etc.). Results reveal that iReach advances capabilities related to education, health, farming, and innovation. Specifically, participants report that iReach enables them to gain information and training that educates them on a variety of subjects, along with enabling some participants to discover new methods for farming.

### Case 2: Poverty Alleviation Programme Assessment

Schischka, Dalziel, and Saunders (2008) use the capability approach to assess the impact of two different poverty alleviation programmes. The first poverty alleviation programme is Christchurch City Council, a government programme in New Zealand. Christchurch City Council provides portions of council-owned land to three different community organizations for community gardening. Focus groups were used to examine capabilities influenced by the programme. Results show that the programme foster capabilities such as leading a healthier life, learning new gardening skills, earning future income from new skills, increased self-confidence and status, and increased social contact.

The second poverty alleviation programme is the Women in Business Foundation in the Pacific Island nation of Samoa. The programme promotes women's participation and creation of businesses. It provides training programmes related to creating traditional crafts, running a microenterprise, and managing money. Schischka, Dalziel, and Saunders (2008) also use focus groups to assess the programme's impact on the capabilities of beneficiaries. Results uncover that capability dispersion relates to enhanced familial support, income generation, the ability to make handcrafts, the revival of traditional crafts, and the ability to contribute to local church and community.

These cases highlight how the capability approach may be employed to both *design* and *assess* the implications of social programmes on beneficiaries. In regards to social enterprise research, there are several ways that the capability approach may be applied to measure social value, which is essentially capability dispersion. One way may be to survey social enterprise directors about the types of services that they offer. This technique may even be applied to the GEM social entrepreneurship survey (Lepoutre et al. 2013) to identify and compare human capabilities they seek to advance across contexts. It would reveal the types of activities that social enterprises engage in and how they relate to human development.

Another way to measure capability dispersion in social enterprise may be to conduct focus groups or interviews of their beneficiaries. This would allow beneficiaries to discuss the impact of social enterprise services or products on themselves, which, as shown above, may reveal unexpected findings. These are two strategies for applying the capability approach to measure social value, but future research should explore other techniques as well.

## Discussion

This research argues that the capability approach may be applied to re-conceptualize and measure social value creation by social enterprises. Findings reveal that the capability approach is mainly used for human well-being assessment; core needs identification; or the measurement of capability dispersion. In each of these three uses of the capability approach in empirical research, there is an emphasis that poverty is a lack of more than resources; it is also a lack of choices and opportunities (Kato, Ashley, and Weaver 2017). Scarlato (2013) suggests social enterprises are a medium through which people are given choices and opportunities through the services and goods that social enterprises sell or provide. Findings in the current article support Scarlato (2013)'s assertion.

The argument for using the capability approach to measure social value creation is particularly important in regards to the findings related to capability dispersion, as they convey how institutions disseminate human capabilities to their beneficiaries. Some social organizations specifically design their programmes to foster distinct human capabilities, while others apply the approach to measure existing social programmes. In all applications, researchers report that the multidimensional focus of the approach reveals unexpected effects of the programmes (DeJaeghere and Baxter 2014; Anich et al. 2011; Schischka, Dalziel, and Saunders 2008).

Using the capability approach to measure social value may provide rich insights about the different strategies that social enterprises utilize to foster social change. Social enterprises may employ deep-level or surface-level strategies for addressing social problems (Stephan et al. 2016). Deep-level strategies involve creating opportunities that empower beneficiaries (e.g. setting goals beneficiaries desire to achieve and taking a long-term approach to achieving them). They target complex needs, are developmental in nature and strive to be empowering. Surface-level strategies are motivated by external organizational incentives and pressures (e.g. social pressure, financial incentives, reputation). They have varied business models, tend to stimulate social impact when behaviours are less complex, and occur in situations where beneficiaries do not require development.

The capability approach may be used to measure the different human capabilities that social enterprises employing deep-level and surface-level aim to foster. For instance, social enterprises that implement deep-level strategies may develop services related to different types of human capabilities in an effort to provide a holistic set of services for the beneficiaries, which may be the same people across these services.

In addition, the capability approach may help to assess the types of human capabilities that social enterprises transfer to communities beyond their target beneficiaries. Ansari, Munir, and Gregg (2012) argue that human capabilities may be transferred between organizations through social capital. The authors suggest that people in Bottom-of-the-Pyramid communities (the world's poorest socioeconomic communities) transfer human capabilities through weak and close ties with one another. Such influence is difficult to quantify, but may be captured using a measure like the capability approach.

## Research contributions

This paper contributes to literature on both the capability approach and social enterprise in two main ways. First, this paper examines the variety of ways the capability approach has been operationalized, revealing information about common characteristics of empirical studies that use the capability approach. As such, this paper differs from previous articles that review literature on the capability

approach in terms of its exploration of the social concerns the capability approach has been used to measure. In addition, this paper highlights how the approach may be employed in institutional contexts.

For instance, Clark (2005) focuses on developments, critiques, and advancements of the capability approach as a theory by outlining its strengths and weaknesses as an alternative to traditional views on economic development. Chiappero-Martinetti and Roche (2009), on the other hand, explore statistical techniques and methodology employed in capability approach applications. However, Chiappero-Martinetti and Roche (2009) provide little information about how the types of social issues the capability approach has been used to examine, as well as how it has been used to explore the activities of social interventions.

Second, this research highlights how the capability approach may be used to assess the types of social issues targeted by social enterprises. Applying the capability to measure social value would enable assessment of how social enterprise services may strive to meet different human needs. Viewing social value through the lens of the capability approach would change the perspective of social enterprise and social change processes. While no empirical studies use the capability approach in social enterprise research, a growing body of conceptual research explores the role of the capability approach in social innovation overall (Biggeri, Testi, and Bellucci 2017; Tiwari 2017; Howaldt and Schwarz 2017).

Furthermore, few academic studies explore social value creation (Hoogendoorn, Pennings, and Thurik 2010; Short, Moss, and Lumpkin 2009), and those that do mainly focus on social hiring (Ferguson and Islam 2008; Akingbola 2015, 52). Social hiring involves creating employment opportunities for people that face employment barriers (e.g. the homeless, formerly incarcerated). Other studies also explore different techniques that social enterprises implement to create social impact (Teasdale 2010; Mair and Marti 2009; Alvord, Brown, and Letts 2004). However, none of these studies (with the exception of Mair and Marti 2009) detail the variety of issues that social enterprises target nor the multidimensional (and unintended) impacts of social enterprise services in regards to human development.

Viewing social value through the lens of the capability approach offers a new conceptualization of social value. It encourages research on social enterprise to consider how social enterprise programmes and services may be converted into different types of opportunities for their beneficiaries, which would foster understanding about whether social enterprises are better at addressing some social problems as opposed to others. In addition, this re-conceptualization may provide a multidimensional understanding about how social value creation differs across geographic contexts, as Kerlin (2013) suggests macro-institutional forces shape social enterprise models across and within countries. Similarly, the capability approach can be applied to study institutional voids, which are poverty-related social problems not met by institutions that are too weak or that have no desire to address them (Mair, Marti, and Ventresca 2012b). Scholars suggest social enterprises are particularly equipped for filling such voids (Mair and Marti 2009), but that has not been explored in empirical research. The multidimensional nature of the capability approach makes it especially useful for such exploration.

Given the depth and breadth of knowledge the capability approach may reveal about social enterprises, this paper proposes that (1) social value is viewed and measured through the capability approach framework and that (2) social enterprises are conceptualized as a medium for dispersing capabilities.

## **Boundaries and limitations**

The multidimensional focus of the capability approach allows for assessments of the types of capabilities that are advanced through social enterprise services, but it does have boundaries. First, the capability approach does not capture how organizational factors like social or commercial imprinting may affect social value creation. Imprinting is the commercial or social emphasis that the founding team of a social enterprise places on the organization's activities (Battilana et al. 2015). Because social

imprinting advances social performance (Battilana et al. 2015), some social enterprises may utilize the capability approach to tailor capability dispersion. However, the capability approach may not capture this, essentially historical, information.

In addition to this boundary, one limitation of using the capability approach is the lack of rigorous methods that have been used to measure the influence of social programmes on beneficiaries. Studies that apply the capability approach in practice use interviews or focus-groups for programme impact assessment. While both techniques provide valuable insights, techniques such as randomized control experiments are less susceptible to researcher and participant bias (Marczyk, DeMatteo, and Festinger 2005). However, the capability approach is a relatively new way of measuring human development (Stanton 2007). The limited diversity of evaluation techniques used in empirical applications of the capability approach may relate to the need to illustrate how the approach can be operationalized in practice. Early empirical applications note their desire to apply the capability approach in response to doubts about its operationalization (Bali moune-Lutz 2004; Lelli 2001; Brandolini and D'Alessio 1998). Thus, current studies may utilize less rigorous methods in an effort to simply set the foundation for more rigorous examinations in the future.

## Conclusion

Previous research suggests that social enterprises aim to address social problems through the creation of social and economic value. While the concept of economic value is well understood, there is no universal understanding or way of measuring social value creation. This paper argues that social value should be re-conceptualized through the lens of the capability approach. The capability approach is a theoretical framework that views human development in terms of functionings (the achievements people make in life regarding their values and desires) and capabilities (the opportunities people have to achieve what that they value and desire).

This framework for viewing human development is increasingly being applied to evaluate social policies, programmes, and institutions around the world. As such, this paper analyses empirical research that applies the capability approach in an effort to uncover whether and how it may be used to measure social value. Findings reveal the following three purposes for applying the capability approach in empirical research: human well-being assessment; core needs identification; and measurement of capability dispersion. Human well-being assessment consists of using the approach to measure concepts related to human development like multi-dimensional poverty or quality of life. Core needs identification involves applying the capability approach to assess the central needs of a particular social group or community. Lastly, capability dispersion refers to using the capability approach to measure capabilities or functionings dispersed by an institution.

This paper argues that the capability approach may be used for any of these purposes in social enterprise research. However, in regards to measuring social value creation, capability dispersion is the most fitting. Using the capability approach to measure capability dispersion may foster understanding about the types of social issues that social enterprises target and address, which is essential for understanding whether and how their work influences human development.

## Future research questions and suggestions: using the capability approach in social enterprise research

This paper proposes that scholars may employ the capability approach to re-conceptualize and measure social value. Researchers studying social enterprises may use the capability approach to measure capability dispersion and its impact by examining the diversity of capabilities and functionings that social enterprises seek to foster for their beneficiaries. In an effort to guide and stimulate such scholarship, possible questions and suggestions for future research are provided below:

### ***Creating a definition of social value that is based on the capability approach***

Future studies should explore ways to develop a definition of social value that is founded on the capability approach, as well as ways to measure social value using the capability approach. Such a definition would aid discussions about social value vs. social impact in the sense that there would be a distinction between whether social enterprises can foster capabilities and/or functionings.

### ***Is social enterprise an effective tool for advancing human development?***

Various studies suggest social enterprises are a tool for combating multidimensional poverty (Mair and Marti 2009; Seelos and Mair 2005), but few empirical studies explore this. Future research should explore the multiple dimensions of poverty that social enterprises, as a form of business, seek to address, along with the efficacy of their work.

### ***What human capabilities and functionings do social enterprises address across institutions, countries, and regions?***

Recent studies have found that the social and economic activities of social enterprises may substantially vary by country. Future studies may use the capability approach to assess how geographic context influences the kinds of social problems that social enterprises target (e.g. do social enterprises disperse some human capabilities more than others based on context?). One way to do this is to use the capability approach with global measures of social enterprise activities like the GEM. For instance, the GEM may be combined with Weaver (2017)'s Social Capability Measure, which examines the kinds of social issues that social enterprises target, their social programmes, their target beneficiaries, and the number of beneficiaries they serve annually.

### ***Using the capability approach in social enterprise practice***

Provided below are two ways that the capability approach may be applied in the practice of social enterprises. While this paper only provides these two ways, other studies should explore additional ways that the capability approach may be used in social enterprise practice.

#### ***Core needs identification and addressing community needs***

Social entrepreneurs and organizations (e.g. business incubators) or government entities aiming to use social enterprise to advance community development may consider using the capability approach for core needs identification. Results from this paper reveal various ways (e.g. surveys, interviews, focus groups) the capability approach is used to assess core areas of human need in order to specifically design social interventions with beneficiary needs in mind. Practitioners seeking to do this work may consider using Nussbaum (2004)'s central list of human capabilities or Weaver (2017)'s list of central social capabilities as a basis for knowing universal needs influencing human development. Both list outline core human needs, but Weaver (2017)'s list is an adapted version of Nussbaum (2004)'s list that was developed for use by researchers and practitioners.

#### ***Combining the capability approach with other social value measurement tools***

Some scholars suggest commonly used social value measurement tools like the Social Return on Investment (SROI) (Bengo et al. 2016; Lingane and Olsen 2004) and Social Accounting and Audit (SAA) (Gibbon and Affleck 2008) tend to focus on organizational (social) outputs as opposed to the human impact in terms of beneficiaries (Gibbon and Dey 2011). The capability approach may be

combined with such tools in order to provide a more beneficiary-view perspective on social value creation (Kato, Ashley, and Weaver 2017).

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## Appendix

### The central human capabilities (Nussbaum 2004)

1. **Life.** Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.
2. **Bodily health.** Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.
3. **Bodily integrity.** Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. **Senses, imagination, and thought.** Being able to use the senses, to imagine, think, and reason – and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid non-beneficial pain.
5. **Emotions.** Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one's emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)
6. **Practical reason.** Being able to form a conception of the good and to engage in critical reflection about the planning of one's life. (This entails protection for the liberty of conscience and religious observance.)
7. **Affiliation.** A. Being able to live with and toward others, to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.) B. Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of nondiscrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, and national origin.
8. **Other species.** Being able to live with concern for and in relation to animals, plants, and the world of nature.
9. **Play.** Being able to laugh, to play, and to enjoy recreational activities.
10. **Control over one's environment.**

**A. Political.** Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.

**B. Material.** Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason, and entering into meaningful relationships of mutual recognition with other workers.