Disclosures of social value creation:
A case study of three global social enterprises

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Abstract

This study seeks to fill in gap in the existing literature by looking at how and whether disclosure of social value creation becomes a part of legitimation strategies of social enterprises. By using legitimacy reasoning, this study informs that three global social organizations, Grameen Bank, Charity Water, and the Bill and Melinda Gates Foundation provide evidence of the use of disclosures of social value creation in order to conform with the expectations of the broader community—the community that wants to see poverty and injustice free world.

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1.Introduction

Hand in hand with significant attention from academics, the media, policy-makers and activists on social enterprise as a new form of organization (Nicholls 2009; Martin & Osberg 2007), research focusing on this enterprise is growing. While prior research has mostly looked at the concept as well as practice of social enterprises within the domains of management, economics, sociology and political science (see a wide range of studies by Ziegler 2009; Hockerts & Morsing 2008; Swedberg 2009; Mair & Martí 2009; Brooks 2009; Vasi 2009; Haugh 2009; Dees 2001; Thake & Zadek 1997; Emerson & Twersky 1996; Hutton & Schneider 2008; Seelos & Mair 2007), it has not documented an understanding of the accounting and disclosure practices of these organizations (an exception being Nicholls 2009). This study seeks to fill in gap in the literature by looking at how and whether disclosure of social value creation becomes a part of legitmation strategies of social enterprises. By using legitimacy theory, this study in particular informs whether and how the disclosures by three global social organizations, Grameen Bank, Charity Water, and the Bill and Melinda Gates Foundation conform with the expectations of the broader community.

Globally, social enterprises are growing both in number and operations (to see a list of global social enterprises go to http://www.socialearth.org/company-list). The concept of social enterprise is increasingly being applied to the context of social and environmental problem-solving (Dees 2001; Thake & Zadek 1997; Emerson & Twersky 1996; Hutton & Schneider 2008; Seelos & Mair 2007). Social enterprises are becoming more important nowadays as they are directly focusing on the social and environmental problems which make up the key agenda of the UN millennium development goals (see Millennium development goals at http://www.un.org/millenniumgoals/). UN Millennium body now realises social enterprises is an appropriate channel to reach its goal. The paper restricts its analysis to disclosure of social value creation by social enterprises in particular. Although social value creation via solving different social and environmental problems and associated disclosures are believed to be a key part of a social enterprise's legitimation strategy, prior research has generally overlooked to understand the legitimacy lens of social enterprises. The evolution of social enterprise has come about because of state or national government inability to create social and environmental value, or to solve a particular social problem. While, in traditional business enterprises, social wealth is a by-product of economic value creation (Venkataraman 1997), the main focus of social enterprise is on social value creation. These enterprises are quite distinct from corporations as their philosophy and mission are to maximise social gains. As value creation is an important part of social enterprise, this research has taken particular interest in the accounting and reporting practices. Despite this, prior research does not show how social enterprises disclose social value creation within their reporting media to the wider community.

There are various areas of research that focus on social and environmental accounting within organizations. For example, one area looks at the motivations for disclosures (see Deegan & Blomquist, 2006; Arnold & Hammond, 1994; Arnold, 1990; Ullman, 1985; Islam & Deegan, 2008), another area looks at ethical/accountability issues (Cooper & Owen, 2007; Cooper et al., 2003; Adams, 2002; Lehman, 2001, 1999, 1995; Gray et al., 1996; Medawar, 1976), another area looks at how to cost externalities (see, for example Deegan, 2008; Burritt, 2004; Schaltegger & Burritt, 2000; Bartolomeo et al., 1999; Bailey & Soyka, 1996; Bennett et al., 1996; Epstein, 1996; Schaltegger et al., 1996; Tuppen, 1996; Ditz et al., 1995), while yet another area looks at market reactions (see, for example, Freedman & Jaggi, 1988; Ness & Mirza, 1991). Prior research that has covered various areas of social and environmental accounting, predominantly focused on corporations rather than NGOs, social enterprises or public sector enterprises and, in particular, there is a lack of discourse in relation to the accounting and reporting aspect of social enterprises. Despite social enterprises appearing to be more determined than corporations and states to solve social and environmental problems, there is a lack of research into understanding how and why performance in relation to solving social and environmental problems is communicated by social enterprises to the wider community.

The balance of this paper is organized as follows. Section 2 provides an overview of global social enterprises. Section 3 addresses theoretical perspectives embraced within this study. Section 4 discusses the three global cases underpinning this study. Section 5 provides a conclusion to the study.

2. A brief overview of global social enterprises

The meaning of social enterprise is widely studied (Zahra, Gedajlovic, Neubaum & Shulman 2009), and means different things to different people and researchers (Dees, 2001). One group of researchers refers to social enterprises as not-for-profit initiatives in search of alternative funding strategies, or management schemes to create social value (see Austin et al., 2003), another group refers to it as the socially responsible practices of commercial businesses engaged in cross-sector partnerships (see Sagawa & Segal, 2000), while another group refers to it as a means to alleviate social problems and catalyse social transformation (see Alvord et al., 2004). Meanwhile, the concept of social enterprise takes on different meanings (Dees, 2001), providing a unique opportunity for researchers from different fields and disciplines, such as entrepreneurship, sociology and organizational theory, to challenge and rethink central concepts and assumptions (Mair & Marti 2006). The concept of social enterprise, however, appears to be rather more recent, arising in the United States and the UK in the 1990's (Hockerts & Morsing 2008). It is also becoming a recognised concept in many developing nations as well as globally. Although it is a new concept, as an activity, social enterprise can be identified in history (Boddice 2009; Dees 2001). Ziegler (2009) concludes that although social enterprise is a contested concept, it still uniquely combines social aims with business enterprise. Innovative ideas are a key component of social enterprise in which individuals come up with an idea, enable its execution or take part in developing the idea instead of waiting for someone else to do it (Bronstein 2007). Social enterprise, therefore, can be seen broadly as an organisation involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs (Mair & Marti 2006). When we talk about innovativeness, innovation is also expected to be reflected in reporting practices.

The term social enterprise refers to those organisations who take responsibility for an untested innovative idea for real social change, and make that idea a reality. Light (2006) argues that the most prevalent use of the term social enterprise focuses on the role of the risk-taking innovative individual who, against all odds, addresses social problems and creates social change.

Laville and Nyssens (2001) argue that social enterprise aims to achieve social gains by limiting the material interests of capital investors or shareholders. While a business organization’s value proposition anticipates and is organized to serve markets that can comfortably afford the new product or service, and is thus designed to create financial profit, the social enterprise aims for value in the form of large-scale, transformational benefit that accrue to a significant segment of society (Martin and Osberg 2007). Social enterprises find their distinct existence by creating innovative initiatives, building new social arrangements, and mobilizing resources in response to problems, rather than in response to the dictates of the market or commercial criteria. In terms of making changes in the society in which we live, social enterprises take direct action to orchestrate change in society. While the not-for-profit nature of social enterprise activities is considered a distinctive feature, social enterprise can take place equally well on a for-profit basis (Mair and Marti 2006). The main difference between enterprise in the business sector and social enterprise lies in the relative priority given to social wealth-creation versus economic wealth-creation (Mair and Marti 2006). In business enterprise, social wealth is a by-product of the economic value created (Venkataraman, 1997), whereas the main focus of social enterprise is social value creation. This does not necessarily mean, however, that social enterprise initiatives should depart from normal financial objectives (Mair and Marti 2006). Social enterprise, which addressws basic social needs such as food, shelter or education, very often find it difficult to capture economic value because, although the consumers are willing, often they have no ability to pay even a small part of the price of the products and services provided (Seelos & Mair, 2005).

A nation state’s deficit in terms of services to satisfy basic human needs, particularly those that contribute to health and education, fail poor people in terms of access and quality. Affordability becomes a key issue and, in many countries, the deficit is sustained and there are no demands for radical change. The main reason for an individual nation state’s failure appears to be the fact that public spending does not reach the poor, and, if it does, service provision is often inefficient and of poor quality (Seelos and Mair, 2005). While policies and guidelines are available to protect the interests of the poor, the implementation of these policies is also not evident. Within the context of a developing nation, public sector management is often collapsed as it fails to satisfy basic human needs. When the state’s capacity (resources or abilities) to provide existing services for poor and marginalized groups is not available or is insufficient, creative initiatives via social enterprise that reconfigure existing resources or services for more effective or wider delivery are imperative to serve wider populations. The actions or inactions of states and their associates often contribute to the neglect, marginalization, or suffering of a segment of humanity. Social enterprises bring direct actions, creativity, courage and fortitude, ultimately establishing a new stable equilibrium that secures permanent benefits for the targeted group and for society at large (Martin and Osberg 2007). Social enterprise is innovative at solving social and environmental problems which the state has failed to address, and can bring massive change. In essence, global organizations such as UN bodies and the ILO have sound policy frameworks for individual nations to address their different social and environmental problems, however, individual nation states particularly in the global south lack innovative policy implementation capabilities. For example, the UNs' Millennium Development Goals (MDGs), are comprised of eight specific, quantifiable and monitorable goals relating to human rights, health, education, and environmental issues for development and poverty eradication by 2015 (Seelos and Mair , 2005). Although these goals are well-defined, individual nation states are simply not innovative enough to reach them. State failure causes many experts to be sceptical about reaching the gaols. Interestingly, social enterprises address many of the issues which are defined within the MDGs, and many social enterprises find their direction and purpose by addressing the social and environmental issues where states have failed to act. Social enterprises are commonly defined as innovative and active in creating massive change in terms of poverty eradication, health and safety, bio-diversity, literacy and reduction of environmental pollution—all of which are defined MDGs and which represent expectations of broader community.

The rise of social enterprise, both as a practice and as a theoretical endeavour, provides a unique opportunity to challenge, question and rethink important concepts and assumptions in its efforts towards a unifying paradigm (Mair and Marti 2006). Social enterprise, like enterprise in the business sector, cannot be understood in a purely economic sense but needs to be examined in light of the social context (Mair and Marti 2006) and in the light of expectations of the global community. While innovative ideas, organizational missions and visions are the fundamental components of a social enterprise and are consistent with the expectations of the broader community including UN's MDGs, it is important to know whether they are all well integrated in the disclosure practices of this enterprises. This paper explores the disclosure practices of social enterprises via legitimacy lens, an important area for examination in the light of the social and environmental accounting context—the context, in particular explores whether and how social enterprises conform with the expectations of the broader community

3. Potential motivation for the disclosure of social value creation of social enterprises: a theoretical framework

Within the relationship between organisation and society, the responsibilities of organisations and the social expectations of them are constantly being discovered, examined, defined and revised. Legitimacy theory, being derived from the political economy paradigm, provides a view that the interrelationship between an organisation and related social expectations is simply a fact of social life. According to this theory, the survival of an organisation is established both by market forces and community expectations, and hence an understanding of the broader concerns of society expressed in community expectations becomes a necessary precondition for an organisation's survival. The theory focuses on the assumption that an organisation must retain its social role by responding to society's needs and giving society what it wants. This assumption has been supported by some early studies such as those of Sethi (1974), Shocker and Sethi (1974), Guthrie and Parker (1989) , Lindblom (1994) and Suchman (1995).

Legitmacy theory is the most widely used theory that so far offers insights in describing and explaining the changing levels of social and environmental reporting behaviours of a corporation [(see Deegan, 2002 in a special edition of *Accounting, Auditing & Accountability Journal* (*AAAJ)*]. This theory has significant potential to explain social and environmental disclosure practices by organisations other than corporations. This theory is perhaps more relevant to understand disclosure practices of social enterprises given the ability of this theory to explain how organisations' actions conform with the expectations of the society in which they operate.

The central point of this theory which can be put forward is the question of the analytic utility of the concept of legitimacy. Lindblom (1994) defines legitimacy as a status which exists when an organisation's value system is congruent with the value system of the larger social system of which the organisation is a part (p. 2). It 'is not synonymous with economic success or legality because economic success is just one facet of legitimacy and legality is theoretically an enforcer, not a creator, of changes in social values' (Deegan, 2002). Put simply, legitimacy is a function of the right organisational manager in the right position doing the right thing as judged by individuals' private beliefs, the beliefs of their peers and of the community. Pfeffer and Salancik (2003) argue that legitimacy is like any resource that an organisation must obtain from its environment. Unlike many other 'resources', however, it is a 'resource' upon which an organisation can be considered to impact or which it can manipulate through various disclosure-related strategies (Woodward et al., 1996).These established strategies are also used as the baseline to evaluate whether the legitimacy-seeking organisation adheres to social expectations. In other words, the concept of organisational legitimacy is used to investigate whether a particular strategy (for instance, a disclosure strategy) or all strategies as a whole (such as capitalist economic structures or democratic government) have gained or maintained social acceptance. Legitimacy and changing social expectations are interrelated. Social expectations change because the community has long searched for the kind of society in which every human being is entitled to enjoy a decent life, and can access freedom, justice, equality, a pollution-free environment and a variety of other good things seen as proper to human existence. Boulding (1978) asserts that with the change of community expectations it is important that the organisation retains its legitimacy in order to survive conditions beyond those of the marketplace.

Legitimacy theory directly relies upon the notion of the 'social contract' (Guthrie & Parker, 1989; Shocker & Sethi, 1974; Brown and Deegan, 1998; Deegan, 2006, 2002; Deegan et al., 2002; Deegan and Blomquist, 2006; Deegan and Rankin, 1996; Guthrie and Parker, 1989, 1990; Gray et al., 1995; O'Donovan, 2002; O'Dywer, 2002; Patten, 1992; Mathews, 1993; Islam, 2009; Islam and Deegan, 2008). According to Guthrie and Parker (1989), legitimacy theory itself is grounded in a notion that an organisation operates in society via a 'social contract' such that it gains approval to carry out various socially desirable activities in return for endorsement of its rewards and ultimate survival. Fundamentally, the 'social contract' is considered to be an implied contract between an organisation and the society, whereby the society grants the organisation permission to operate in compliance with societal expectations about the conduct of the organisation. The social contract is a theoretical construct considered to represent the multitude of explicit and implicit expectations that society has about how an organisation should conduct its operations (Donaldson, 1982). As Mathews (1993, p. 26) states:

> The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as a collection of individuals) provides

> corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The organisation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society.

In social and environmental accounting literature, a growing number of empirical studies have sought to link legitimacy theory to corporate social disclosure policies and found that corporate disclosure via annual reports takes place as a response to community expectations (see for example, Deegan et al., 2002; Deegan et al., 2000; Islam and Deegan, 2010; Islam and Deegan, 2008; Patten, 1991; 1992; Hogner, 1982). Therefore, consistent with prior research on corporations, one can expect in order to maintain legitimacy, a social enterprise may choose to respond to changes in public attention through social and environmental disclosures in its annual reports. The implicit argument behind this perspective is that if a social enterprise wants to maintain legitimacy, it has to conform with the expectations of the community via its community centred value creation and related disclosures.

An important aspect of accounting and disclosure practices of social enterprises is Emerson's (2003a/b) idea of blended value proposition—the proposition is consistent with the notion (as discussed above) provided within the legitimacy theory. Based on Emerson's (2003a/b) idea of blended value propositions, Nicholls (2009) discussed blended value accounting within the context of social enterprise in the UK. According to blended value propositions, organizations create two types of value, namely, financial and social value (Emerson, 2003a). Traditional accounting, more appropriately known as financial accounting, is based on the principle of classical economics which protects capital and maximises shareholders' wealth. By doing this, many organizations simply ignore their wider impact on the society in which they operate. Based on Emerson's (2003a) blended value proposition, it can be argued that traditional accounting has limitations because it allows organizations to ignore their social impacts and account for environmental externalities, and how to be accountable to local and indigenous communities. While discussion on the limitations of financial accounting and possible alternatives such as social and environmental accounting is evident within the accounting literature which focuses on corporations (see Tinker, Merino & Neimark, 1982; Mathews, 1997), Emerson's idea is of particular relevance as it suggests that organizations, and in particular social enterprises, need to develop more holistic accounting practices that reflect full value creation/destruction activities. Therefore, Emerson's blended value proposition posits that value is generated from the combined interplay between the component parts of economic, social and environmental performance[1] (Emerson, 2003b). It also offers innovativeness in the performance measurement and reporting framework of social enterprises.

Building on Emerson's idea of blended value analysis, Nicholls (2009) argues that social impact reporting practices, as a core component of blended value accounting, can be used by social enterprise to access resources and realise organizational mission objectives with key stakeholders. While Nicholls discussed the concept of blended value accounting, he appears to have considered that social reporting is a key integral component of the holistic accounting system. And hence legitimacy theory, here, has a potential capacity to make us inform whether social reporting practices by social enterprises conform with the community expectations. Nicholls presents a range of reporting options including financial statements, social and environmental performances, social audits, Social Return on Investment (SROI), and so on. This range of reporting can be broadly classified into mandatory reporting and voluntary reporting. Financial accounting appears to be mandatory reporting which is used primarily to meet state regulatory requirements and to ensure accountability. On the other hand, social reports, social audit reports, or SROI appear to be voluntary reports which organizations use mainly to maintain their legitimacy. Furthermore, both mandatory and voluntary reporting are able to demonstrate enhanced operational performance and innovations (Nicholls, 2009) and appear to help social enterprises to maintain their legitimacy.

While a range of organizational reporting lies between mandatory and voluntary reporting, this paper mainly focuses on voluntary, or social, reporting. Social reporting refers to the reporting on organizational performance in relation to employees, health and safety, environment, community, and associated auditing—all of these conveys performance information which conforms with the expectations of the community. At present, there

[1] However, it recognizes that economic value can create various forms of social and environmental impacts and cannot be viewed as a separate component of the value proposition found within any given investment (Emerson, Spitzer and Mulhair, 2006).

are some voluntary guidelines for measuring, reporting and auditing of social performance by social enterprises, including (but not limited to) SROI[2], social auditing by a social audit network, ISO and GRI.

As mentioned early, one of the purposes of social reporting is to maintain organizational legitimacy. Based on legitimacy theory, one can expect, organizational managers desire and act to operate in such a manner that honours broader community expectations. As the social impact of social enterprise is little studied (see Haugh, 2005; Nicholls, 2009), the legitimacy aspect of the organizations is little known, nor why social organizations are required to demonstrate their social impact and created value to the society in which they operate. McLoughlin et al. (2009) argue that social enterprise are required to conform to social expectations and, hence, are required to demonstrate their value to society because their resource providers such as customers, donors, foundations, capital investors, or governments require it. The expectations of these broader stakeholder groups lead to the practice of providing impact assessments (Dees and Anderson, 2006) and associated reporting.

The demand for legitimacy is seen as a power that influence organizations to adopt socially acceptable practices (McLoughlin et al.,2009).The broader community (the community that embraces MDGs to sustain social value creation) appear to demand performance information from social enterprises in order to understand the effectiveness and the impact of the organizations in which they operate. Consistent with legitimacy theory one can expect that if social enterprises' goals and performances include to alleviate poverty, their ability to survive depends on contributing to the alleviation of poverty as per expectations of the broader community (including donors, policy-makers, NGOs, International Governmental Organizations such as UN, ILO and community interest groups who are providing the diversified resources to curb poverty).

[2] The SROI framework is widely popular in the USA (Nicholls, 2009). It was initiated by Roberts Enterprise Development Fund (Nicholls, 2009). According to Roberts Enterprise Development Fund, an SROI analysis presents the socio-economic value created during the investment time frame, expressing that value in terms of net present value and social return on investment rates and ratios. Social audits as prescribed by social audit network and SROI and are the best known guidelines within the third sector and social enterprise sector.

4. Case studies

Three case studies, namely, Grameen Bank, Charity Water and the Bill and Melinda Gates Foundation, have been chosen to explore whether and how global social enterprises are disclosing social value creation. These are the global social enterprises classified by a leading international social enterprise body, *Social Earth* (see, http://www.socialearth.org/company-list). As Yin (1989) argues answering the whether and how questions are central to the case study. The cases chosen are based on the global nature of social enterprise and also meet the definition of social enterprise. The three different cases appear to show innovative efforts to solve the persistent social problems of poverty, health, illiteracy, and fresh water availability. They are also believed to be well-known global social enterprises and their operational influences spread over a number of nations: Grameen Bank appears as a global social enterprise from the perspective of its model replication in more than 60 developing nations (Seelos & Mair, 2005); Charity Water operates in at least 16 developing nations; and Bill and Melinda Gates Foundation covers mostly Sub-Saharan Africa and South-Asia regions. They are also which have become innovative in their missions and visions. Each case is different in terms of the nature of its activities, social goals, size, country of origin and cultural context, and they all focus on global social and environmental problems, particularly in the global south and the developing nations. The cases were also selected based on the availability of relevant data and annual reports.

4.1 Charity Water

Charity Water is a US-based non-profit social enterprise which works to provide sources of clean, safe, drinking water to people in developing nations. It uses 100 per cent of public donations to directly fund sustainable water solutions in areas of greatest need, and uses local partners on the ground to build and implement the projects. Scott Harrison is the founder of Charity Water who has worked as a volunteer in a floating hospital in developing nations before. Prior to founding Charity Water, he developed a deep understanding of people’s poverty and the unimaginable human suffering caused by the water crisis in many parts of Africa. His realization that there are a billion people on the planet who do not have clean water motivated him to address this issue. Since the founding of Charity Water in 2007, it has focused on helping one person at a time. In

2009, it helped almost 415,000 people gain access to clean water in 16 countries worldwide.

Table 1: Reporting of Social Value Creation within Charity Water's Annual Report

Year	Highlights of social value creation
2007	Total 378 water solutions projects in 2007: 120 in Bangladesh (60 new wells, 60 pond sand filters); 113 in the Central African Republic (8 new wells, 100 repaired wells); 30 in Ethiopia (all new wells); 5 in Kenya (4 hospitals/clinics, 1 school); 72 in Liberia (47 new wells, 25 repaired wells); 16 Malawi (6 new wells, 10 repaired wells); 11 in Rwanda (11 new wells); 3 in Tanzania (3 rainwater catchments), and 8 in Uganda (8 new wells).
2008	988 water projects funded in 2008: 3 in Haiti (3 water projects in villages); 45 in Honduras (35 water projects in villages, 10 projects in schools); 27 in Liberia (27 water projects in villages; additionally 256 sanitation facilities); 70 in Cote D'Ivoire (35 water projects in villages; 35 water projects in clinics); 65 in Central African Republic (55 water projects in villages; 10 water projects in schools); 22 in Democratic Republic of Congo (20 water projects in villages; 2 projects in schools); 39 in Orissa State, India (39 water projects in villages; additionally 200 sanitation facilities); 180 in Bangladesh (180 water projects in villages); 290 in Ethiopia (258 water projects in villages; 31 projects in schools and 1 in a hospital); 22 in Kenya (8 water projects in villages; 14 in hospitals); 20 in Uganda (20 water projects in villages); 35 in Tanzania (30 water projects in villages; 5 in schools), and 170 in Malawi (170 water projects in villages).
2009	Since the beginning of Charity Water, it has focused on helping one person at a time. Part of how it gauges its success is by counting the number of people served with clean and safe drinking water. In 2009, it helped almost 415,000 people gain access to clean water. It works in 16 countries worldwide; in 2009, it funded new projects and rehabilitation in 11 of them. In each area, it chose water technologies that suited the terrain, the climate and the number of people in need. 16 countries, 2,321 water projects; 1,048, 309 people served: Cote D'Ivoire – 91 water projects in villages; 30 in hospitals; 47,500 people served: Liberia - 170 projects in hospitals; 256 sanitation facilities; 83,820 people served: Ethiopia – 721 projects in villages; 87 in schools; 6 in hospitals; 338, 799 people served: Uganda – 94 projects in villages, 53,770 people served; Honduras - 34 projects in villages; 11 in schools, 22,500 people served. Democratic Republic of Congo – 19 projects in villages; 2 in schools; 1 in hospital, 7,700 people served. Bangladesh — 180 projects in villages; 147 in schools; 63,572 people served; Malawi—327 projects in villages, 1 in school, 298 sanitation facilities; 70,000 people served; Haiti — 14 projects in villages, 31,530 people served. Central African Republic 189 projects in villages; 10 in schools, 216,489 people served; Cambodia 30 projects in villages; 12,000 people served; Tanzania — 30 projects in villages, 7 projects in schools, 1 in hospital, 9,566 people served. Sierra Leone — 14 projects in villages, 7,950 people served. Rwanda: 11 projects in villages; 4,400 people served; India — 38 projects in villages, 200 sanitation facilities, 10,713 and Kenya — 11 projects in village, 25 in hospitals, 68,000 people served.
2010	2010 brought new support from around the globe and 70% of all contributions came from individual donors. As a result, it was able to remain efficient while growing the organization by 85%, nearly doubling their ability to impact the water crisis. It sent $3.2 million more directly to the field than in 2009. That means, in 2010 alone, it served almost 700,000 people with clean, safe drinking water from publicly-raised funds in 1,490 water projects in 11 developing countries. This year, it started working with A Child's Right to fund clean water for more than 18,700 kids in urban Nepal. ACR's projects are more technical than any other it has funded to date: they use UV (ultra-violet), carbon, UF (ultra-filtration) and other water purification systems to clean available groundwater. The program is unique too, as it is entirely focused on children. More than 3 million people die from waterborne illness each year; 80% of them are children under five. ACR serves children by installing water systems at schools, orphanages, street shelters, clinics and rescue shelters. Most of its projects are at schools. Much of the rest of the disclosures are the same as in 2009.

Charity Water's social value creation is reflected in its annual reports. Table 1 documents social performance in relation to sustainable water solutions in developing countries. Its social performance reports document areas covered, number of facilities established and number of people served. It demonstrates that it not only provided public water solutions but also clean water to local hospitals and schools. In 2009 it provided 2,321 water solutions (projects) compared to 378 projects in 2007, in 16 developing nations worldwide. In 2009, it organized a student-led campaign to raise awareness and funds for water projects at schools in developing nations. In 2010, it started working with A Child's Right to fund clean water for more than 18,700 kids in urban Nepal. It created social value in terms of sustainable clean water solutions in the areas of greatest need. It appears that one of the important motivating factors was to conform to the expectations of millions of people and donors across the world by demonstrating social performance in relation to sustainable water solutions in developing countries.

4.2 Grameen Bank

Professor Muhammad Yunus founded the Grameen Bank in 1976 to supply credit to poor people who did not qualify as customers of established banks. Conventional banking practice was reversed by removing the need for collateral and creating a banking system based on mutual trust, accountability, participation and creativity. Today Grameen Bank operates 2,565 branches, serving 8.33 million borrowers, 97 per cent of whom are women. It operates in 82,373 villages in Bangladesh. Grameen Bank grants unsecured loans to the poor in rural Bangladesh. It makes every effort to lend primarily to women who are socially and economically impoverished. It also provides credit to the poorest of the poor in rural Bangladesh. It has been financially viable from the outset, and has motivated a global micro-credit movement that has spread to 65 developing countries, and reaching 17 million borrowers (Seelos & Mair, 2005). Grameen Bank's positive social impact on its poor and formerly poor borrowers has been documented in many independent studies carried out by external bodies such as the World Bank, CGAP, and the Bangladesh Institute of Development Studies (BIDS). In 2006, Professor Yunus and Grameen Bank jointly received a Nobel Prize for their significant contribution to poverty alleviation and empowerment of women.

Grameen Bank's annual reports include social value creation reports. Table 3 highlights the key social performances, as reported in Grameen Bank's annual reports. Grameen Bank's annual reports provide social performance information in relation to housing projects for the poor, scholarships for poor meritorious students, life insurance coverage, poverty alleviation surveys, and so on. All of these performance indicators show significant improvements in those areas over the period. Grameen Bank also keeps historical accounts of different social indicators such as poverty alleviation surveys. An example of Grameen Bank’s social performance on contributions to higher education for the children of Grameen members is highlighted in Table 3. Table 3 also provides performance statements on scholarship programs for its members' children, which is an example of Grameen Bank’s social reporting.

Table 2: Reporting of Financial and Social Value Creation in Grameen Bank’s Annual Report

Year	Highlights of Social Value Creation
2007	**SIDR**: On 15 November 2007 a SIDR hit the southern part of the country and affected 12 districts. Grameen Bank took instant and effective rehabilitation action. Under its programme 128,000 packets of Oral Salaine, 75,000 packets of Alum, 100 litres of clostec, 4,731,000 pieces of clothing, crockery to the value of Tk.0.90 (approximately US $ .015) million, and Tk.70.00(US$ 1.17) million of emergency dry foods were distributed among its borrowers and struggling members. **Housing for the poor:** During 2007, 9,743 houses were built with housing loans. **Higher Education Loans**: By the end of 2007, 20,886 students from various disciplines had received loans under its programme. **Scholarships**: Every year scholarships are given to the children of Grameen members, with priority for girls. By December 2007 51,726 children had received scholarships. **Village Phones**: To date, Grameen Bank has provided loans to 295,444 borrowers to buy mobile phones, and offers telecommunication services in nearly half of the villages of Bangladesh where this service never previously existed. **Crossing the Poverty Line**: According to an internal survey, 65 per cent of the families of Grameen borrowers are no longer under the poverty line. The remaining families are moving up towards the poverty line.
2008	**Housing for the poor**: In 2008, 14,729 houses were built with housing loans amounting to Tk. 152.31 million (US$2.22 million). **Higher Education Loans:** By the end of 2008, 30,948 students from various disciplines had received loans under this programme **Scholarships:** About 23,000 children, at various levels of school education, were offered these scholarships in 2008. **Life Insurance:** Each year families of deceased borrowers of Grameen Bank receive a total of Tk. 17 to 20 million (US$ 0.25 to 0.29 million) as life insurance benefits. **Village Phones** To date, Grameen Bank has provided loans to 353,909 borrowers to buy mobile phones, and offers telecommunication services in nearly half of the villages of Bangladesh where this service never previously existed. **Local Body Elections:** Grameen members are contesting and being elected onto local governments. In the 2003 local government (Union Porishad) election, 7,442 Grameen members contested the reserve seats for women, and 3,059 members were elected. **Crossing the Poverty Line:** According to an internal survey, 68 per cent of families of Grameen borrowers are no longer under the poverty line. The remaining families are moving up towards the poverty line.
2009	**Housing for the poor**: During 2009, housing loans amounting to Tk. 168.40 million (US$ 2.43

	million) were provided to build 14,009 houses. It brings the total number of houses built with its housing loans, since its inception, to 679,577. **Higher Education Loans**: By the end of the year under review, 40,804 students were provided loans under this programme. **Scholarships for the children of Grameen members**: About 23,000 children, at various levels of education, were awarded scholarships during the year under review. **Village Phones**: Grameen Bank has provided loans to 364,380 borrowers, up to 2009, to buy mobile phones, and offers telecommunication services in nearly half of the villages in Bangladesh. **Beggars as Members**: 19,193 beggars have ceased begging and are making a living as door-to-door salespersons. Among them, 9,374 beggars have joined Grameen Bank groups as mainstream borrowers. **Success of Members in Election of Local Bodies**: In the 2003 local government (Union Porishad) election, 7,442 Grameen members contested the reserved seats for women. 3,059 members were successful [Grameen Bank provided here exactly the same numbers as in 2008]
2010	**Housing for the poor**: During 2010, housing loans amounting to Tk. 88.78 million (US$ 1.26 million) were provided to build 7,754 houses. It brought the total number of houses built with housing loans to 687,331 since inception. **Higher Education Loans**: By the end of 2010, 47,851 students had been provided with loans under this programme. **Scholarships for the children of Grameen members**: The standard was set such that at least 50% of the scholarship money must go to girls and the remaining 50% will be given to both boys and girls based on overall performance. About 23,000 children, at various levels of school education, were awarded the scholarships during the year under review. It brings the aggregate number students since the inception of the programme to 140,798 up to December, 2010, involving an amount of Tk. 218.07 million (US$ 3.09 million).. **Village Phones:** Grameen Bank provided loans to 394,362 borrowers up to 2010 to buy mobile phones and offer telecommunication services in nearly half of the villages of Bangladesh .It is also generating revenue for Grameen Phone, the largest telephone company in the country. Village phones use 2.22 per cent of the air-time of the company, while their number is only 1.89 per cent of the total of telephone subscribers of the company. **Beggars As Members**: Until 2010 , Over 112,615 beggars have joined the programme. Total amount disbursed stands today at Tk 154.99 (US$2.2) million. Of this amount of BDT 122.18 (approximately US$1.75) million (79% of the amount disbursed) has already been paid off. 19,497 beggars have left begging and are making a living as door-to-door sales persons. Among them 9,599 beggars have joined Grameen Bank groups as main-stream borrowers. **Success of Members in Election of Local Bodies**: In 2003 local government (Union Porishad) election 7,442 Grameen members contested for the reserve seats for women. Of the 3,059 members came out successful. [Grameen Bank provided here exactly the same numbers as in 2008and 2009]

Table: 3 Disclosure on Scholarship Programme for Members' Children (up to December 2009, Annual Reports, 2009 & 2010)

Categories	Numbers				Total	
	Girls		Boys		2009	2010
	2009	2010	2009	2010		
Primary	11,406	12,948	8,478	9,580	19,884	22,528
Junior Secondary	14,860	17,807	9,694	11,370	24,554	29,177
Secondary	20,919	24,645	19,355	22,548	40,274	47,193
Higher Secondary	14,812	18,252	13,602	16,496	28,414	34,748
Cultural	4,029	5,092	1,732	2,060	5,761	7,152
Total	66,026	78,744	52,861	62,054	118,887	140,798

In the notes to the financial statements, the loan recovery rates are shown as sustaining repayment rates of more than 99 per cent for most of the years of the Bank's existence. Grameen Bank's unique economic value is in its ability to change the life of the poorest of the poor by providing loans for them. Grameen's profitability and its 99 per cent recovery rates mean that poor people are able to repay their loans and they are simply bankable[3] - which has significant meaning to the people who are the resource providers.

The Grameen Bank has categories of disclosures and under each category it provides related social performance information, however, the other two cases in this study did not have a way of disclosing such information. These disclosures also align with the MDGs set by UN bodies. Grameen Bank disclosed their social value creation in their own way which is quite distinctive from the other two cases (as seen in Table 5). Grameen Bank' disclosure of social value creation (as highlighted above) appears to conform with the expectations of the broader community.

4.3 Bill & Melinda Gates Foundation

Microsoft pioneer Bill Gates and his wife Melinda established a foundation in 1999 to focus on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty, in developing nations as well as in the USA. In particular, this foundation is concerned about the millions of children dying in poor countries each year from diseases that people in the US do not have to worry about. This non-profit foundation started by making grants for global health, to Pacific Northwest projects and US libraries. In recent years it has decided to highlight the diverse groups who contribute to the work it does, namely, the grantees, partners, local leaders and citizens, the online community, and the people in the field throughout the world who make change happen. Its mission is to give every person the chance to live a healthy and productive life by assisting nations to meet the MDGs. It is involved in eradicating tropical and other diseases including pneumonia and polio.

The Foundation's social value creation is described in its annual reports, including its massive investment in global health development and education. Its investment also covers charitable contributions and other development partners who are pioneers in the health development of millions of people in developing countries.

[3] In a developing country such as Bangladesh, poor people do not have access to traditional (commercial) banking system simply because they are poor and they do not have money to deposit or they are not allowed to have loans in any conditions.

Table 4: Reporting on Financial and Social Value Creation within Bill and Melinda Gates Foundation's Annual Report (2007-2009)

Year	Highlights of Social Value Creation
2007	**Demand for Sanitation—**Half the people in the developing world—2.5 billion—don't have safe sanitation. We made a grant to the Water and Sanitation Program, an organization affiliated with the World Bank, to help fund the Total Sanitation and Sanitation Marketing project. The project's goal is to reduce the number of people who defecate outside to zero in four different areas (one in Tanzania, one in Indonesia, and two in India, of about 1 million people each). **Global Health Program Overview**—In 2005, we reported on a range of grants we were making to help fight malaria, including one to the Malaria Vaccine Initiative to conduct clinical trials of a vaccine candidate called RTS-S. **Flour Power—**it is among the partners involved in the Global Alliance for Improved Nutrition (GAIN), a public-private effort to make sure people in developing countries get the nutrients they need. In 2007, GAIN and Ghana reached an important milestone together: All the wheat flour in Ghana is now fortified with eight different micro-nutrients, including iron. **Food and Funds—**Last year, Groupe Danone, in partnership with Grameen Bank (the micro-finance institution founded by the Nobel Peace Prize winner. Muhammad Yunus), launched a sophisticated project in Bangladesh to address both health and poverty. It is involved in the project through the Global Alliance for Improved Nutrition, which is providing technical assistance to Danone and Grameen Bank and studying the project's effectiveness. **US Program Overview—**Starting in 1997, we worked with more than 11,000 libraries in all 50 states to install computers with Internet access.
2008	**Financial Services for the Poor**—In 2008, we approved a strategy that focuses on increasing safe, affordable ways for the poor to save. **Special Initiatives**—we awarded $18.9 million in grants to help those most affected. The largest grant, to the World Food Programme, helps feed young children and pregnant and breastfeeding mothers in Niger, Côte D'Ivoire, and Burkina Faso, where malnutrition rates are staggering. **Goals for Malaria Eradication**—Building on recent successes in malaria control—like those in Zambia—we have, with our partners, set the long-term ambition of eradicating the disease altogether. Better Vaccines Through Advanced Market Commitments (AMC) 2007, we joined the governments of Canada, Italy, Norway, Russia, and the United Kingdom to pledge $1.5 billion for the pneumococcal AMC—the first ever AMC—which will be launched later this year. **US Program Highlight**—in 2008, in early childhood education, it helped launch two pilot sites to test the most effective approaches to helping young children learn. It spent 2008 incorporating more preventive measures into our strategy to reduce family homelessness in Washington by 50 per cent.
2009	**Fighting Family Homelessness**: The Washington Families Fund—by the end of 2009, the Fund had awarded US$16 million to 43 programs state-wide, creating 618 service-enriched housing units supporting more than 1,000 families—including 3,000 children and their parents. **Engaging the World Online:** For example, on World Malaria Day in 2009, Malaria No More launched a campaign on Twitter to spread awareness about the million deaths malaria causes each year.
2010	**New Vaccine for Meningitis:** In 2005, it wrote about the recent Phase I trials for a new vaccine for meningitis, one of the most dreaded diseases in the world. In 2010, the vaccine was introduced in three countries in Africa's Meningitis Belt. Over the next decade, this vaccine will protect tens of millions of children from meningitis epidemics. **Agricultural Development:** Its agricultural development team recently completed a

	refresh of its strategy. The goal of increasing agricultural productivity and reducing poverty among poor farming families in sub-Saharan Africa and South Asia remains at the core of our work. Three-quarters of the poorest people in the world get their food and income from farming small plots of land. Helping these families grow more food is the smartest way to fight hunger and poverty, and that's the lens through which we look at all our decisions.

Table 4 documents some examples of social performance by this foundation. Its 2007-2009 Annual Reports mainly highlight social performances in relation to poverty, eradication of tropical disease, education for all, and so on. By way of narrative reporting, it frequently focuses on social value creation; in particular it highlights how economic value is blended with social value, or how economic performances such as collection of resources and investments create social value. While the Foundation embraces a narrative disclosure of social value creation, it did appear to conform with the expectations of the broader community.

This paper summarises the overall reporting practices of the three social enterprises under study in Table 5. All of the organizations disclose their social performance and value creation over the period studied (2007-2010). Their organizational strategies and missions appear to drive what type of activities and associated reporting they have.

Table 5: Summary of Accounting and Reporting Practices by Three Global Social Enterprises

Component	**Charity Water**			**Grameen Bank**			**Bill &Melinda Gates Foundation**		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
Financial statement	Yes	Yes	Yes	Yes	Yes	Yes	yes	yes	Yes
Social performances	Yes	Yes	Yes	Yes	Yes	Yes	yes	yes	Yes
Environmental performance	Yes	Yes	Yes	Yes	No	Yes	No	No	No
Social audit reports	No	No	Yes	Yes	No	Yes	No	No	No
SROI	No	No	No	No	No	No	No	No	No
External guidelines such as GRI, AA1000, ISO or any other	No	No	No	No	No	No	No	No	No
Strategic partner on the ground	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

While all three organizations provided historical social performance in their annual reports, none of the three social organizations adopted external reporting guidelines such as SROI, GRI, ISO or social audit. All three organizations discussed their strategic partners which enabled them to achieve their financial and social goals for value creation. All are unique in terms of their mission, strategy and specific value creation. As the nature of social enterprises is innovative, we may not expect many similarities among these three organizations. Also, as the three organizations have their own reporting practices, it is difficult to compare their performance. In other words, when we try to compare social enterprises, it is difficult to say which organization is better given that their social missions are all different. Despite this, they operate and disclose social value creations such ways that they are unique and these are helpful to conform with the global expectations and to maintain legitimacy and survival. .

5. Conclusion

The aim of this paper was to understand disclosures of social value creation the social of three global social enterprises via legitimacy reasoning. Our study of the three cases, Grameen Bank, the Bill and Melinda Gates Foundation and Charity Water, does provide evidence of the use of disclosures of social value creation in order to maintain legitimacy.

The most common attributes of the three organizations studied is that they all focus on social problems in developing countries. Every dollar they invest has generated value in terms of poverty alleviation, eradication of tropical diseases, and alleviation of fresh water crises. The specific differences are also evident when we see the mission and activities of these organizations. The Grameen Bank is a for-profit organization, Charity Water is a fully non-profit organization, as is the Bill and Melinda Gates Foundation. While the Grameen Bank creates economic value through lending, maintaining a high recovery rate for its loans and, therefore, being profitable, it has huge social implications and does generate social value. Grameen Bank's profitability and significant high recovery of loan rate (more than 98%) does mean that poor people are able to repay their loans and they are simply bankable. Its ultimate value is that it does help to alleviate poverty by micro-credit which is a globally-accepted value. Bill and Melinda Gates Foundation and Charity Water both invest without expecting economic returns. They have demonstrated, however, that they are creating social value by investing in poverty, health and education. All of their disclosures of social value creation which are consistent with the expectations of the broader community—the community want to see poverty and injustice free world, do have merit to help them survive and maintain legitimacy.

The three organizations are unique in terms of their mission, strategy and specific value creation, and they have their own reporting practices, all of which makes it difficult to compare their performance. The evidence suggests that these three major social enterprises have not embraced any external measurement frameworks such as social accountability or SROI, perhaps because they do not feel the importance of existing tools in order to meet the expectations of the broader community. The disclosures of value creation by the three social enterprises under study appear as different from disclosures of corporations that generally adopt external reporting framework (see for example, hundreds of corporations across the world adopted GRI guidelines, *www.globalreporting.org*) as a part of strategies to maintain legitimacy. The uniqueness in the operations of social enterprises and their associated reporting of social value creation helps them survive. Legitimacy in this context does not depends upon the adoption of external and institutional frameworks such as SROI—[(the external institutional framework often adopted or copied by organisations due to different isomorphic pressures (DiMaggio and Powell, 1983)]; rather it does depend on uniqueness and innovation in the social value creation and associated disclosures. And yet there is sufficient scope to be innovative in performance measurement and reporting. This paper opens the way for further research in the areas of measurement and reporting of social enterprises.

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