



Melco
Management Accounting Research
Discussion Paper Series

 Maki Makoto Foundation

Melco Management Accounting Research Discussion Paper Series

No.MDP2024-004

Accounting as a Normative Mechanism for the Pursuit of ‘Economic Value for Social Value’: A Critical Realist Analysis of a Case for Developing Social Business

June 2024

Yan Li *

Associate Professor, Faculty of Commerce, Takushoku University
4-14 Kohinata3-Chome, Bunkyo-ku, Tokyo 112-8585, Japan
e-mail: liyan@ner.takushoku-u.ac.jp

Asako Kimura
Kansai University

Norio Sawabe
Kyoto University

*Corresponding author

Maki Makoto Foundation

Nagoya, Japan

Discussion Paper Series of the *Melco Management Accounting Research*, in order to promote the study of management accounting, has published this unfinished paper onto the Web. Please obtain the permission of the author when citing this paper.

Accounting as a Normative Mechanism for the Pursuit of ‘Economic Value *for* Social Value’: A Critical Realist Analysis of a Case for Developing Social Business

Yan Li, Asako Kimura, and Norio Sawabe

Abstract

The role of accounting in upholding value pluralism has garnered significant attention in recent years. This study explores the role of accounting in value pluralism in hybrid organisations for the development of social business. Social enterprises provide an opportunity to explore the enduring coexistence of social and economic values, which combine business and charity at their core, are an exemplary form of hybrid organisation. Building on the foundational definition of social business, emphasising the application of business methods to address social issues and acknowledging the prevalent challenge of ‘mission drift’ within social enterprises, we propose an institutional value framework termed ‘economic value *for* social value.’ This value proposition is expected to lead to transnationalism and standardisation, ultimately resulting in the institutionalisation of value pluralism. To investigate the role of accounting in advancing the pursuit of the institutional value of ‘economic value *for* social value,’ we mobilise the notion of ‘norm circles and normative intersectionality’ as our theoretical framework. This study elucidates how accounting based calculating hybrid, functioning as a normative mechanism—an actual norm circle—is involved in generating the power of institutional value proposition of ‘economic value *for* social value,’ within the field of our case study—a Japanese social enterprise. Building upon this premise, we conduct a retroductive analysis of the normative mechanisms through which this value exerts institutional influence, asserting that accounting, through the hybrid calculation of social impacts and economic profits, generates causal influences on the value proposition. In a critical assessment of the identified normative mechanism through retroductive explanation, we argue that accounting functions as a normative mechanism by determining *whether, when and how* actors endorse and enforce the institutional value of ‘economic value *for* social value.’

Keywords: value pluralism, normative mechanism, social business, critical realism

* This is an early work. Please do not quote.

1 Introduction

The role of accounting in upholding value pluralism has attracted significant attention in recent years (Ahrens & Ferry, 2022; Annisette, Vesty, & Amslem, 2017; Casarin, 2023; Faulconbridge & Muzio, 2021; Grossi, Vakkuri, & Sargiacomo, 2022; Millo, Power, Robson, & Vollmer, 2021). To explore the role of accounting in value pluralism, hybridity and hybrid organisations are considered pertinent fields for research (Ahrens & Ferry, 2022; Anderson-Gough, Edgley, Robson, & Sharma, 2022; Aquino & Batley, 2022; Ghio & Verona, 2022; Kurunmäki, 2004; Kurunmäki & Miller, 2011; Lepori & Montauti, 2020; Miller, 2004; Miller, Kurunmäki., & O’Leary, 2008, 2010; Thomson, Grubnic, & Georgakopoulos, 2014). Hybridity is defined as mixing of core organisational elements, including identities, forms, logics, and values, that do not conventionally cohere (Battilana, Besharov, & Mitzinneck, 2017; Glynn, Hood, & Innis, 2020).

This study explores the role of accounting in value pluralism in hybrid organisations for the development of social business. Social business, as articulated by the Nobel Laureate and Grameen Bank founder Mohammad Yunus as a novel paradigm, addresses social issues and yields social welfare using business methods rather than maximising economic profit (Yunus, 2008; Yunus, Moingeon, & Lehmann-Ortega, 2010). Thus, social enterprises provide an opportunity to explore the enduring coexistence of dual values, namely social and economic values, given that social enterprises, which combine business and charity at their core, are an exemplary form of hybrid organisations (Battilana & Dorado, 2010; Battilana & Lee, 2014; Santos, Pache, Birkholz, 2015; Smith & Besharov, 2019; Yunus, 2008; Yunus et al., 2010).

In accounting for hybridity, informed by Miller et al.’s (2008, 2010) notion of the ‘calculating hybrids,’ scholars explore how accounting can be an instrument that ‘mediates’ multiple values by providing visibility and calculability in hybridisation (Busco, Giovannoni, & Riccaboni, 2017; Jordan, Jørgensen, & Mitterhofer, 2013; Kurunmäki & Miller, 2011; Thomson et al., 2014). More recently, mostly grounded in institutional logic research, studies have offered various accounts of how accounting and calculative frameworks can be involved in institutional settings to embrace diverse values (Anderson-Gough et al., 2022; Aquino & Batley, 2022; Baud & Lallemand-Stempak, 2024; Casarin, 2023; Maran & Lowe, 2021; Sargiacomo, Corazza, D’Andreamatteo, & Torchia, 2022; Weichselberger & Lagström, 2022).

Drawing upon the sociology of value and valuation (Boltanski & Thevenot, 2006; Stark, 2009), scholars provide a distinct approach to embrace value pluralism mediated by accounting and calculation, which constitutes a ‘compromise’ involving diverse values (Annisette et al., 2017; Baud & Lallemand-Stempak, 2024; Casarin, 2023; Carlsson-Wall, Kraus, & Messner, 2016; Chenhall, Hall, & Smith 2013; Grossi et al., 2022; Trevisan & Mouritsen, 2023). A compromise suggests the possibility of a principle taking judgments based on objects stemming from different worlds and making them compatible (Boltanski & Thevenot, 2006). However, despite the discourse regarding whether the compromise account has the potential to promote diverse values, compromise is a temporary settlement that requires ongoing efforts to stabilise it (Chenhall et al., 2013). The continuous interplay involved in hybridisation leads to a breakdown of compromise, establishing temporary agreements (Annisette et al., 2017; Aquino & Batley, 2022; Baud & Lallemand-Stempak, 2024; Kastberg Weichselberger, Firtin, & Bracci, 2023; Lepori & Montauti, 2020), as compromised by their nature harbour fragility (Boltanski & Thevenot, 2006). This implies that there is always a risk associated with transitioning

from the initial intention of hybridity and hybrid organisation, aimed at embracing the pluralism of values to the outcome of value purification.

Within the domain of social enterprises, the transition from embracing value pluralism (social *and* economic values) to value purification (social *or* economic values) is identified as ‘mission drift,’ which prompts growing concern and attention (Armendáriz & Szafarz, 2009; Battilana & Dorado, 2010; Grimes, Williams, & Zhao, 2019; Klein, Schneider, & Spieth, 2021; Wry, Lounsbury, & Jennings, 2014). This suggests a need to explore the role of accounting in pursuing diverse values that are taken for granted and institutionalised, and therefore encounter fewer challenges (Ahrens & Ferry, 2022; Glynn et al., 2020).

Building on Yunus’s foundational definition of social business that emphasises the application of business methods to address social issues and acknowledge the prevalent challenge of ‘mission drift’ within social enterprises, we propose an institutional value framework termed ‘economic value *for* social value.’ In this value proposition, we advocate for a common good with a higher level of value (Boltanski & Thevenot, 2006), which depends on establishing an explicit means–end relationship between economic and social values, rather than being ambiguous and fragile. The pursuit of social value should be regarded as the ultimate goal, with economic value serving as the means to achieve it. As the institutional value has power over people (Kraatz, Flores, & Chandler, 2020; Scott, 2013), this value proposition is expected to motivate and guide social actions within social enterprises, which are widely recognised as normative institutions where the dual pursuit of social and economic values is the norm. We posit that this investigation may lead to transnationalism and standardisation, and ultimately result in the institutionalisation of value pluralism.

To investigate the role of accounting in advancing the pursuit of the institutional value of ‘economic value *for* social value,’ we mobilise the notion of ‘norm circles’ (Elder-Vass, 2010, 2012, 2022) as our theoretical framework. Furthermore, following Elder-Vass (2010, 2012, 2022), the foundation of our methodology is critical realism, which is characterised by a retroductive analysis to investigate the mechanisms responsible for the power of the normative institutional value (Bhaskar, 1979; Bunge, 2003; Sayer, 2000). Therefore, the study elucidates how accounting, functioning as a normative mechanism—an actual norm circle—is involved in generating the power of institutional value, specifically the proposition of ‘economic value *for* social value,’ within the field of our case study — a Japanese social enterprise. Building upon this premise, the study conducts a retroductive analysis of the normative mechanisms through which this value exerts institutional influence. We assert that accounting, through the hybrid calculation of social impacts and economic profits, generates causal influences on the value proposition. In a critical assessment of the identified normative mechanism through retroductive explanation, we argue that accounting functions as a normative mechanism by determining *whether, when and how* actors endorse and enforce the normative value of ‘economic value *for* social value.’

The remainder of this paper is organised as follows. Section 2 reviews the accounting literature on value pluralism and Section 3 introduces the theoretical framework of ‘norm circles.’ This framework provides insight into the causal power of values and norms as social structures at the level of social groups, particularly within normative institutions such as social enterprises. Section 4 outlines our methodology, which is based on critical realism. Subsequently, we provide an overview of our research context, focusing on a Japanese social enterprise, and detail the data collection process.

In Sections 5–7, we conduct our case analysis by adopting a critical realist approach that includes an empirical description (Section 5), a retroductive analysis of the investment mechanism (Section 6), and a retrodictive explanation (Section 7). Finally, Section 8 presents the conclusion synthesising our findings in the context of accounting research on hybridity and value pluralism, offering insights into the implications of our study.

2 Accounting in value pluralism and hybridity

In accounting for hybridity, Miller et al. (2008, 2010) propose the notion of ‘calculating hybrids,’ referring to the distinctive feature of accounting: it is ‘constantly engaged in a dual hybridisation process: seeking to make visible and calculable the hybrids that it encounters, while at the same time hybridising itself through encounters with a range of other practices and discipline’ (Miller et al., 2008, pp. 944–945). However, sustaining value pluralism through calculating hybrids is challenging. Scholars highlight how accounting, primarily grounded in economic value, has the potential to ‘crowd out’ other values in hybrid settings (Ezzamel, Robson, & Stapleton, 2012; Ferry & Slack, 2021; Fischer & Ferlie, 2013; Kurunmäki, 2004). This phenomenon, which we conveniently refer to as ‘A (one value) *or* B (another value),’ accentuates the complexity of upholding divergent values in organisational settings. Through a longitudinal case study of a mental health service organisation in the UK, Fischer & Ferlie (2013) highlight the intractable conflicts and contradictions that emerged between ethics-oriented and rules-based clinical models, ultimately resulting in ‘resisting hybridisation.’ Resisting hybridisation manifests as purification of values, as indicated by the term ‘A *or* B,’ thereby contradicting the principle of value pluralism.

Despite its inherent complexity, scholars have outlined pathways for achieving ‘A *and* B,’ facilitating hybridity and the development of hybrid organisations that embrace value pluralism. Institutional research suggests that organisations can achieve ‘A *and* B’ through integration, where hybrids amalgamate the different components they bring together and create a unified blend; or differentiation, where hybrids keep their constituent elements separate, forming an organisation with multiple, distinct parts; or a combination of the two (Battilana et al., 2017; Kraatz & Block, 2008; Pache & Santos, 2013; Polzer, Meyer, Höllerer, & Seiwald, 2016). Building on and developing the notion of ‘calculating hybrids’ (Miller et al., 2008, 2010), accounting scholars have also explored how accounting, by providing visibility and calculability in hybridisation, can mediate the achievement ‘A *and* B’ (Busco et al., 2017; Jordan et al., 2013; Kurunmäki & Miller, 2011; Miller et al., 2008, 2010; Thomson et al., 2014). More recently, informed by the institutional literature, mostly by institutional logics research, accounting scholars have offered various accounts of how accounting and calculative frameworks act as the ‘mediating instruments’ to achieve ‘A *and* B.’ These involve the role of accounting and calculation in combining (Casarin, 2023), selectively coupling and layering (Baud & Lallemand-Stempak, 2024; Maran & Lowe, 2021), juxtaposing (Sargiacomo et al., 2022), assimilating and accommodating (Aquino & Batley, 2022), partitioning and segmenting (Anderson-Gough et al., 2022), and semi-integrating (Weichselberger & Lagström, 2022) diverse values.

Following the sociology of value and valuation (Boltanski & Thevenot, 2006; Stark, 2009), these studies provide a distinct approach to achieving ‘A *and* B,’ mediated by accounting and calculation, which constitutes a ‘compromise’ involving multiple values (Annisette et al., 2017; Baud & Lallemand-Stempak, 2024; Casarin, 2023; Chenhall et al., 2013; Carlsson-Wall et al., 2016; Grossi et al., 2022; Trevisan & Mouritsen, 2023). A

compromise suggests the possibility of a principle that can take judgments based on objects stemming from different worlds and make them compatible (Boltanski & Thevenot, 2006). In accounting studies, Chenhall et al. (2013) introduce the notion of ‘compromising accounts’ that performance measurement systems can be designed and operated to provide the potential for productive debate and compromise between different modes of evaluation, which can help the organisation to recombine ideas and perspectives in creative and constructive ways. Moreover, Carlsson-Wall et al. (2016) suggest that the meaning attributed to different levels of performance outcomes influences such compromising accounts.

Despite the debate over whether the compromise account has the potential to promote productive friction, this depends on whether and how the convention is envisaged as an ‘acceptable’ compromise (Chenhall et al., 2013, p. 271). According to Boltanski & Thevenot (2006), ‘a compromise, in order to be acceptable, must be based on the quest for a common good of a higher order than the ones the compromise attempts to reconcile (p. 20).’ Several studies elucidate the nature and ways by which accounting and calculation can function as mediators in achieving an ‘acceptable compromise,’ concerning the establishment of a ‘common good of a higher order.’ For instance, Annisette et al. (2017) contend that accounting, with its unique ability to occupy different worlds as a qualified object, enables it to act as an ambiguous object and, through its technical role as a test of industrial value, can be involved in compromises—both of which form the basis of a higher order common good. Based on this idea, they provide two cases, a not-for-profit organisation and a government-owned water utility, illustrating how accounting is implicated as an ambiguous object and test of industrial value, from which disputes and various outcomes, including compromise, unfold. Additionally, Trevisan & Mouritsen (2023) present how accounting and control in hybrid settings—in their case, budgeting and planning in a cultural and creative organisation—are mobilised in the creation of an ambiguous association between different values that become a resource for a higher common good and articulate an industrial order. Casarin (2023) emphasises the importance of comprehending the quality inherent in mutually constitutive elements to understand how calculative frames function as mechanisms of compromise-mediated combinability. This entails key metrics aligned with a root metaphor that denotes higher order quality and offers various interpretations and frameworks for actors’ activities along with a principle of worth that explains and justifies the selection of specific framing categories.

However, ‘because the common good remains unspecified as long as it has not been made explicit and established in a polity, compromises remain fragile’ (Boltanski & Thevenot, 2006, p. 20). Following this argument, accounting scholars concur that compromise is a temporary settlement that requires ongoing efforts to stabilise it (Chenhall et al., 2013, p. 271). They illustrate the ongoing dynamics inherent in the process of hybridisation, which ultimately culminates in the breakdown of compromise, even after reaching temporary compromises (Annisette et al., 2017; Aquino & Batley, 2022; Baud & Lallemand-Stempak, 2024; Kastberg Weichselberger et al., 2023; Lepori & Montauti, 2020). Additionally, they demonstrate the potential for critique (Trevisan & Mouritsen, 2023), decomposition (Lepori & Montauti, 2020), and the emergence of moral struggles (Ferry & Slack, 2021; Morinière & Georgescu, 2021) during compromise. This implies that owing to the fragility of compromise, there is always a risk associated with transitioning from the initial intention of hybridity and hybrid organisation, aimed at embracing the pluralism of values (*A and B*), to the outcome of value purification (*A or*

B).

In the social enterprise field, the phenomenon of moving from ‘A and B’ to ‘A or B’ is documented as ‘mission drift,’ which has raised concerns and received increasing attention (Armendáriz & Szafarz, 2009; Battilana & Dorado, 2010; Grimes et al., 2019; Klein et al., 2021; Wry et al., 2014). For example, Battilana & Dorado (2010) discover that the adoption of commercial and business principles within microfinance expands loan sizes, representing a ‘mission drift’ where activities and outcomes deviate from the original goal of providing loans to assist impoverished individuals.

This prompts the question: to what extent do organisations embrace value pluralism, wherein pursuing ‘A and B’ are taken for granted and institutionalised, thus encountering fewer challenges (Glynn et al., 2020). Furthermore, what is the role of accounting in advocating such a ‘value hybridity’ that can exercise power over people to make them effective motivators and guides for social actions (Ahrens & Ferry, 2022). This enquiry holds significance for the foundational concept of ‘calculating hybrids’ introduced by Miller and his colleagues. They argue:

‘It [hybridizing] entails a *reconfiguring of modes of governing* that links up and seeks to assemble together diverse regulatory initiatives, whether national or transnational in aspiration. In the process, conventional dichotomies—whether of states vs markets, science vs the economy, or financial management vs medicine (and we believe, perhaps also true for social value vs economic value)—are increasingly attenuated or broken down. Such developments enable *new modes of governing to emerge.*’ (Miller et al., 2010, p. 32, italic added)

Normative organisations, exemplified by social enterprises (Moss, Short, Payne, & Lumpkin, 2011) where hybridity is the prevailing norm, present valuable opportunities to investigate the role of accounting in advancing hybrid values (Ahrens & Ferry, 2022). The principle of Yunus’s (2008) definition of social business explicitly addresses social problems and generates social welfare using business methods. This leads to the argument that in social business, hybridity and the development of hybrid organisations that embrace ‘A and B’ should take the distinctive form of ‘**A (economic value) for B (social value).**’ This means that there should be an explicit means–end relationship between economic and social values and that the pursuit of social value should be considered the end, with economic value serving as the means to achieve it. Here, a common good can be regarded as a higher level of value (Boltanski & Thevenot, 2006), referred to as ‘the value of economic value for social value,’ which is explicit rather than being ambiguous and fragile.

Given that this is rooted in the principle espoused by Yunus (2008) and considering the widespread challenges surrounding ‘mission drift’ in the operationalisation of social businesses, we posit that the value proposition of ‘economic value *for* social value’ in social enterprise inherently embodies a normative dimension. In institutional settings, values and norms constitute normative elements that, together with associated activities and resources, provide stability and meaning to the social life encapsulated within institutions (Scott, 2013, p. 56). Within this framework, values are conceptions of the preferred or desirable, together with the construction of standards to which existing structures or behaviours can be compared and assessed. While norms specify how things should be done; they define legitimate means to pursue valued ends (Scott, 2013, p. 64).

As institutional values are present and real in their effects—they motivate, guide, justify, and evaluate action (Kraatz et al., 2020)—the value proposition is expected to

have normative power within social enterprises, which are acknowledged as normative institutions in which the dual pursuit of social and economic values is the norm. Therefore, we propose that in the context of social enterprise, the value proposition of ‘economic value for social value’ can lead to transnationalism and standardisation for the simultaneous pursuit of social and economic values, by building the relationship between the pursuit of social value as an end and economic value as a means, ultimately shaping the ‘calculative hybrid’ into a ‘new mode of governing’ (Miller et al., 2010). To theoretically investigate how accounting is involved in the normative value proposition for ‘economic value *for* social value,’ in Section 3, we introduce Elder-Vass’s (2010, 2012, 2022) concept of ‘norm circle’ and the methodological foundation of critical realism.

3 Theoretical framework

Elder-Vass (2010, 2012, 2022) explains how normative institutions can exert a causal influence on individuals within them to tend toward conformity to the norms valued by the institutions. Informed by Simmel’s notion of social circle, Elder-Vass introduces the concept of the ‘norm circle,’ defined as ‘a group of people who are committed to endorsing and enforcing a particular norm’ (Elder-Vass, 2012, p. 22). There, normative social practices mean ‘regularised practices encouraged by dispositions or beliefs about appropriate ways of behaving that are shared by a group of people’ (Elder-Vass, 2010, p. 116). Members of a norm circle are aware that other members share that commitment; they may feel an obligation to endorse and enforce the norm concerned and expect that others will support them when they do so (Elder-Vass, 2010, p. 123). In other words, the members of a norm circle share a *collective intention* to support the norm, and as a result, they tend to support it more actively, by praising or rewarding those who enact it, by criticising or punishing those who fail to enact it, or even just by ostentatiously enacting it themselves (Elder-Vass, 2010, p. 123-124).

As a social group or circle specifically concerned with normative questions (Elder-Vass, 2010, p. 123), the norm circle has a boundary—its extent and size (Elder-Vass 2010, 2012, 2022). To identify the boundaries of any given norm circle empirically, Elder-Vass provides three approaches: proximal, imagined, and actual norm circles. The proximal norm circle means that for any given normative disposition or belief held by an individual, the norm circle is the set of actual individuals who have influenced that disposition. This set of individuals could be parents or school teachers. In many such cases, however, this single or a set of actual people represents a wider group, which Elder-Vass terms as imagined norm circle—the individual’s beliefs (conscious or otherwise) about the extent of the norm circle. Unlike imaginary groups, imagined groups do exist; what is imagined by the individual concerned is their precise extent—its size and boundaries. Third, the actual norm circle implies that one might seek to establish a network of interlinked individuals who endorse and enforce the norm concerned, irrespective of whether the individual has had any contact with them, as long as the individuals in their proximal norm circle are part of that wider network.

However, in contemporary societies, we are only ever likely to encounter small portions of any given actual norm circle. Individuals must develop working ‘rules,’ based on their experience, to give them a sense of the true extent of the actual circle. As a result, the mapping of our imagined norm circle onto the actual norm circle—a process to increase the degree of convergence and identify the true boundary of the actual norm circle—will always be approximate and imperfect (Elder-Vass, 2010, p. 130).

Moreover, in any social space, there may be multiple norm circles that can and frequently do intersect diversely, which Elder-Vass (2010, 2012, 2022) calls ‘normative intersectionality.’ It refers not only to intersections between nominal categories but also to individuals as being parts of multiple distinct social entities with real causal powers (Elder-Vass, 2010, p. 131). Different types of norms, in the sense that they relate to different types of practice, and the way in which the associated norm circles operate, are to some extent influenced by the type of practice they regulate (Elder-Vass, 2012, p. 30). These include cultural, linguistic, discourse and knowledge circles (Elder-Vass, 2012), as well as asset and monetary circles (Elder-Vass, 2022). In each case, it is an empirical question, in any given case, whether (and which) groups of norms can be attributed to a norm-set circle (Elder-Vass, 2010, p. 132).

In normative intersectionality, these influences are neither homogeneous nor hegemonic; the individual must sometimes negotiate a path that balances normative commitments that are in tension with each other (Elder-Vass, 2010, p. 149). In a multiple conflict norm intersectionality, there is a need for individuals in ambivalent normative positions to choose which norms to observe. In the context of complex normative intersectionality, skilled social performance depends on the individual’s possession of a sophisticated practical consciousness of the diversity, applicability and extent of the normative circles in which they are embedded, and of others to which they are exposed, even though they may not be part of them. This, in turn, opens opportunities for normative change through conscious members’ acts in such societies (Elder-Vass, 2010, p. 133). As intersectionality grows, then, it is not only the influence of diverse social forces that increases; so does the need for reflexive individual agency (Elder-Vass, 2010, p. 150).

We suggest that the notion of the ‘norm circle’ and ‘normative intersectionality’ is relevant to the study of the power of the pluralism of values pursued by normative institutions. There may be two ‘norm circles’ in a social group that pursue different values ‘A and B’ simultaneously as norm. This could lead to intersectionality between them influencing individuals’ endorsement and enforcement of the norm. Applying this perspective to the value position of ‘economic value *for* social value’ in social business, we assume two relevant norm circles in the context of social business: norm circles for the pursuit of social value and economic value. The intersectionality between them could entail the path for the creation of ‘*for*,’ that is, the establishment of a means–end relationship between the two norm circles, constituting a high level of the common good. To explore how accounting and calculation can be implicated in this power of the institutional value of ‘economic value *for* social value,’ this study, following Elder-Vass (2010, 2012, 2022), draws on the methodological foundation of critical realism (Bhaskar, 1975, 1979; Lawson, 1997; Sayer, 1992, 2000).

4 Methodology and research design

4.1 Critical realism

Critical realist ontology considers the world stratified and comprises three domains: real, actual and empirical. The real domain indicates the mechanisms and structures with emergent causal power to generate actual and empirical worlds. The actual domain signifies the events that occur in space and time. The empirical domain consists of what we perceive and experience, directly or indirectly, which, in research contexts, contains data or facts. According to the critical realistic paradigm, scientific work should engage in an iterative process that moves from ‘the manifest phenomena of social life to the essential relations that necessitate them’ (Bhaskar, 1979, p. 32). Here, the essential

relations are internal or necessary relations, rather than external or contingent relations, implying the ‘causal powers’ or ‘liabilities’ of structure (Sayer, 1992). The mechanism is ‘a set of processes in a system, such that they bring about or prevent some change – either the emergence of a property or another process – in the system as a whole’ (Bunge, 2003, p. 31). Thus, in the critical realistic perspective, scientific work is about investigating and identifying the causal relationship between what we experience and what happens, and the underlying structures and mechanisms that produce the actual events. In doing so, critical realists ‘seek to identify both necessity and possibility or potential in the world - what things must go together, and what could happen, given the nature of the objects’ (Sayer, 2000, p. 11).

The process of identifying the underlying structure and mechanism from observed events is called retrodiction, which is a mode of inference, by which we discern what is basically characteristic and constitutive of the structure (Danermark, Ekström, & Karlsson, 2002, p. 96). The aim is to achieve an ‘abstract theory analysis’ in terms of the objects’ constitutive structures and mechanisms, as parts of wider structures, and in terms of their causal powers (Sayer, 1992, p. 116). The core of retrodiction is transcendental argumentation, by which one clarifies the basic prerequisites or conditions for social relationships, people’s actions, reasoning, and knowledge (Danermark et al., 2002).

In general, there are three steps to conducting a retrospective analysis (Danermark et al., 2002; Edwards, O’Mahoney, & Vincent 2014; Zachariadis, Scott, & Barrett, 2013). The first phase involves describing or appreciating the research situation and identifying the composite events or phenomena under study. The second phase, the actual retroductive analysis of the data, involves hypothesising the possible mechanisms that can generate the phenomena that have been observed, measured, or experienced. The third phase focuses on explaining how these interact to produce events of interest, a process called retrodiction (Lawson, 1997).

4.2 Norm circle as structure and mechanism

‘Social structure is best understood as the causal forces of social groups’ (Elder-Vass, 2010, p. 115). Hence, the notion of the ‘norm circle’ is conceived as the structure and generic mechanism responsible for normative social institutions (Elder-Vass, 2010, p. 121). The norm circle has an emergent property or causal power to affect the behaviour of individuals (Elder-Vass, 2010, p. 124).

The power of the norm circle to influence an individual member’s behaviour is not a direct physical effect. Normative compliance is not physically forced compliance but voluntary; hence it is *directly* caused, not by the *existence* in the present of normative pressures from the community, but by the individual’s *internalisation* of past pressures in the form of beliefs or dispositions. The effect of social institutions on behaviour is, therefore, a two-stage causal process. In the first stage, the norm circle has a (downward) causal impact on the individual’s motivations, and in the second, these motivations affect their behaviour (Elder-Vass, 2010, p. 125, *italic in original*). Thus, the existence of a social institution may not enforce the corresponding norm on every occasion. It implies a tendency for members of the concerned community to endorse/enforce the norm. The institution produces a conditional tendency: if an individual transgresses against the norm, they are likely to encounter negative sanctions (Elder-Vass, 2010, p. 126). Thus, the exercise of normative causal influences on the behaviour of an individual is mediated by individual’s understanding of the normative environment within which they live (Elder-Vass, 2010, p. 143).

The three boundaries of norm circles—proximal, imagined, and actual norm circles—are causally significant and play complementary roles in a single integrated process. The proximal norm circle causally influences an individual to adopt a norm in the first place; the imagined norm circle determines when (i.e. in whose presence) the individual believes norm conformance will be enforced, which influences when they are likely to conform to it; and the actual norm circle determines when actual endorsing/enforcing behaviour is likely to occur (Elder-Vass, 2012, p. 26). At the individual consciousness level, the influence of the actual norm circle is mediated through two different forms. In learning the norm, the individual is exposed to the influence of the actual norm circle through the mechanism of the proximal norm circle; and in choosing whether and when to observe the norm, the individual is exposed to the influence of the actual norm circle through the mental image that they have of it: the imagined norm circle. Therefore, ultimately, normative social institutions are causal powers of actual norm circles, mediated through the forms of proximal and imagined norm circles (Elder-Vass, 2010, p. 130).

Mobilising the concept of ‘norm circle’, based on an Australian packaging company case study, Baker & Modell (2019) identify three norm circles potentially influencing the tendency of managers to equate CSR initiatives, which they label as normative management knowledge on shared value, customer demands and labour rights. The intersectionality between the first two norm circles significantly influenced CSR practice: managers who initially resisted emerging notions of CSR implemented norms that reinforced a relatively narrow conception of ‘shared value’ creation, followed by the causal power of customer demands to consistently buttress the tendency to equate CSR initiatives with enhanced financial performance. In contrast, managers were reluctant to enact competing norms associated with other sets of norms, such as labour rights, which challenged this conception of CSR. This led to the failure of labour rights norms to counteract this tendency. Utilising the notion of ‘norm circles’, their emphasis is on how accounting technology, such as environmental scorecard and social surveys, can play an important role *in channelling the activation of causal powers embedded in various norm circles* (p. 947, italics added).

4.3 Case site and data collection

Our study is based on a longitudinal case study of a Japanese platform company (hereafter referred to as the Social Group) that conducts business to address social problems. As of August 2022, the group had 42 social businesses in 16 countries with more than 1200 employees, to address a range of social problems, including environmental issues; poverty in developing countries; employment for people with disabilities, homeless people, refugees, and others. In 2022, the group sales were 7.5 billion yen (approx. EUR 51,660,000). Appendix B shows the social businesses of the group, including the social problems to be solved, contents of the businesses, and social impact of each business¹. Considering that the group was founded in 2007 by only two people, the group has achieved considerable success in the development of social business. From its foundation to the development of the Group, two calculation practices have been

¹ In October 2022, while conducting this research, the company underwent certain restructuring. This study covers the period up to October 2022, before these organisational reforms. The descriptive data, based on interviews conducted after that time, are a retrospective look-back at that time.

considered significant: calculation of social impact and calculation of economic benefit for each business.

The following data were collected: First, from May 2021 to March 2024, 30 semi-structured interviews lasting 45 hours were conducted with 14 company members, including founders, social entrepreneurs and indirect employment members. In interviews with the two founders, questions were asked about the mission, purpose, history and evolution of the organisation; the development, design and operation of the overall management system; the economic profit and social impact of both the individual social enterprises and the group as a whole; and the current situation and challenges. The social entrepreneurs in each social enterprise were also asked about how they got involved in the social enterprise, business model, their perception and use of economic profit and social impact calculations, and their goals and challenges. Finally, members in indirect positions were asked about their background, responsibilities in supporting social entrepreneurs and social enterprises within the group. We also participated in eight events in which the founders and other members introduced the company and its businesses to the participants. Appendix A presents details of the semi-structured interviews and participant observation.

Furthermore, the company published videos to communicate its thoughts and expertise about building social businesses and conversations between founders and other social entrepreneurs; these videos were open to the public or limited participants. We watched the videos to deepen our understanding. Finally, we consulted company websites, a book by one of the founders (Taguchi, 2021), newspapers and magazine articles that published content about the company and its members.

Mobilising the notion of ‘norm circles and normative intersectionality’ (Elder-Vass, 2010, 2012, 2022), we shed light on how these accounting-based calculations are involved in this hybrid organisation, which is assumed to have both norm circles for the pursuit of social and economic values. Following the three stages of critical realist analysis introduced in Section 4 we present our case analysis, including an empirical description with a summary of the distinctive tendency in Section 5; a retroductive analysis of the mechanism with a focus on accounting calculation in Section 6; and in Section 7, we provide a retroductive explanation of how accounting calculation functioned as the mechanism responsible for the empirical events described in Section 5.

5 Empirical events description

We first describe the empirical events according to the chronology of the social group. From its foundation in 2007 to 2022, the evolution of the organisation can be divided into three periods in its business and organisational structure: starting as a real estate agency (March 2007–April 2008), transforming into a social enterprise (May 2008–March 2014) and becoming a platform group company for bringing social enterprises (April 2014–October 2022). In Section 5.1, we provide empirical descriptions of the events that surround the calculation of economic performance and social impact in each period.

5.1 Starting as a real estate agent (March 2007–April 2008)

Two founders of the Social Group, Mr. T (who later became President) and Mr. S (who later became Vice President), although unfamiliar with each other, had similar experiences during their university years. They had spent their university years having the internal conversation of ‘who do I want to be?’ Through experiences such as watching

documentaries about poor and malnourished African children or observing unhappy employees, they concluded that solving social problems, whether distant in scale, such as poverty in Africa, or proximate, such as the motivation of employees in Japan, was worth devoting their lives to. This led them to participate in the activities of non-profit organisations (NPOs). However, there they realised the limitations of the NPOs' activities due to lack of funds, and they recognised the power of business and the need to learn business skills. With this realisation, the founders found their first job in a Japanese trading company to learn business skills, where they met each other.

After three years there, the two founders established the company in 2007 with a strong shared aspiration for 'social problem solving through business.' The company's goal was to achieve JPY 1 trillion (approximately EUR 7,000 billion) in sales and donate 1% of it to provide stable and effective funding to NPOs. Explaining the reasons for setting such a target, the Vice President (Mr. S) said,

'Many companies can do this when their turnover is around a billion, but they have a "presence" when their turnover is around a trillion. Presence does not mean we want to be big, it just means we want to be known. We set that number because we thought that if we grew into a trillion-dollar company, we would be a company that people would want to learn from and emulate.' (Interview, 31 May 2021)

Although there was a turnover target, they did not specify which businesses would achieve it. During market research, they discovered the need for small local estate agents who struggled to attract customers. They decided to establish an estate agency business to provide these services. They intended to collect information on tenants who had problems finding accommodation and make it available to these small agents.

They faced many difficulties like other small start-ups. After more than a year of hard work, their real estate agency expanded to provide a bulk quotation service system to make it easier for small real estate agencies to attract customers and help employees who had graduated from university or changed jobs and were about to start working in Tokyo from the countryside. They also won contracts with corporate clients to find accommodations for their employees. Consequently, sales reached JPY 20 million (about 140,000 euros) in 2007. However, approximately a year after starting their business, they were ambiguous about their business and its results. The founders reflected on their experiences as estate agents and arrived at the following conclusions:

'At that time, even if we worked 365 days a year without a break, our annual sales were 20 million JPY. This meant that we could only donate only JPY 200,000 [1% of sales] per year. I began to feel a sense of impatience.' (Taguchi, 2021, p. 118)

Furthermore, while developing their business, many foreign students were refused to rent a house. This was due to the prevailing discriminatory view that foreigners lacked proper behaviour such as garbage disposal and other practices rooted in Japanese culture and customs. They found that they could do nothing about this discrimination, because although the agent could recommend a suitable house, the decision to rent or not to rent was made by the owner. The Vice President (Mr. S) also described his experiences during this time as follows:

'At first, although it was immature, we thought of a model for donations [donating 1% of sales to NPOs]. However, we understood that this was difficult. Firstly, the amount of the donation needed to be larger [it was too small]; secondly, solving problems directly was a big hurdle because we are not the landowner.' (Interview,

31 May 2021)

He also described his experience as a disconnect between what they were working for and their vision of solving social problems. Considering that they developed their target market in only about a year, they would be able to provide stable and impactful donations to NPOs if the business continued to grow steadily. However, their impatience and thoughts of disconnection between purpose and practice led them to question their business, and this propelled them to the next stage.

5.2 Transforming into a social enterprise (May 2008–March 2014)

Since May 2008, together with other members who shared their vision, the founders have transformed their business from an estate agency to a social business development company. During this period, they developed several social enterprises, including a shared house business in 2008 that enabled foreigners to rent, a fair-trade business in 2010 for poor farmers in Myanmar, and a garment business in 2013 that employed low-income workers in Bangladesh. The key feature that differentiates these social businesses from real estate agent and so-called conventional businesses is that they must integrate social problems into their business operations. That is to say, the essence of social business lies in the ‘inclusion of social issues in the value chain of the business’ (the Vice President, interview, 31 May 2021). Examples include sourcing raw materials (the fair-trade herbal tea business sourcing tea leaves from farmers in Myanmar), manufacturing (employing low-income workers in Bangladesh), and providing services (reducing discrimination and promoting cross-cultural exchange through shared housing).

The practice of calculating social impact has emerged during the development of these social enterprises. Its budding form can be observed in the ‘foreign resident ratio’ in the shared house business. The practice of calculating and maintaining the ratio of Japanese to foreign residents at 5:5 emerged during the operation of the shared house business. This guaranteed the diversity of nationalities of residents considering business objectives. The first member who joined the two founders and jointly established the shared house is now the president of the shared house business, reflecting the emergence process of the indicator.

‘At first we did not have such a philosophy [such as setting a target number of social impacts and strictly sticking to the target]. However, the premise was that it would be more interesting if there were a variety of people, so the more diverse the nationalities, the better. In the course of this process, general indications were obtained. For example, if a shared house is designed for ten people and is said to be a multicultural exchange shared house with foreigners, but there are eight Japanese and only two foreigners, it is not our service at all. The ideal ratio is about 5:5 or 6:4, so we have refined the service. Our business concept is for Japanese and foreigners to live together. When we think about which ratio gives the feeling of living together, we find that if the ratio goes beyond the 5:5 or 6:4 line, the majority of the residents only speak Japanese or another language in their conversation.’ (Interview, 4 March 2023)

This quote suggests that the practice of calculating social impact emerged by embodying the shared house’s business purpose in its operations. Therefore, maintaining the proportion of foreigners at 50% was the target to assess whether the operation aligned with the business purpose of reducing discrimination and promoting multicultural

exchange. Moreover, it was a means of communicating the customer value of the business to its target clients, that is, foreigners who had difficulties renting a house and Japanese who wanted to engage in multicultural exchanges. From this perspective, the social impact and economic profit were compatible with increased economic performance, leading to more people being helped.

However, at times, maintaining a foreign percentage implied sacrificing economic profit. An extreme example is the period following the Great East Japan Earthquake in 2011. The earthquake and subsequent nuclear disaster at Fukushima Daiichi led to the return of residents to their home countries, leading to a period of poor economic performance. Consequently, the company had to decide whether to abandon the 5:5 ratio and operate a 100% Japanese shared house to recover its performance. The Vice President (Mr. S) explained that these events were the most significant bankruptcy crises and recalled their decisions at that time:

‘With half the people leaving, we had a huge deficit, so I felt we would go bankrupt. The foreigners occupied half of the shared houses; if they left, we could rent the vacant rooms to Japanese people to live in the half. It is possible to survive in this way, as many other companies have done. But our discussions brought us back to the starting point of the business. Of course, we had the option of making a profit on all the Japanese residences, but we did not take that approach. We thought that it [making a profit itself] was not what we wanted to do, and that it would not be an option even if we were to die.’ (Answer to a participant’s question during a lecture on 21 June 2021)

Therefore, instead of trying to restore economic performance by letting only the Japanese occupy the shared houses and sacrificing 50% of foreigners, the founders decided to maintain the ratio. They stopped increasing the number of houses and focused on marketing activities to attract foreigners who might return to Japan. In addition, to save costs, they visited homeowners and agents to ask them for favours, giving them time, and temporarily lowering rent. Fortunately, foreigners returned within a few months, leading to performance recovery without long-term deficits.

However, this does not always end well. One example is a company’s recruitment of low-income workers in Bangladesh. To provide a stable job and income for single mothers in Bangladesh, members of the organisation developed a few businesses during this period. The first was to produce matching children’s clothes for parents and siblings in a Bangladeshi factory and sell them to the Japanese market. However, they later realised that it was a challenging market with fierce price competition and high inventory risk. Competitors often offered half-price promotions; however, by pricing products based on the income of workers in Bangladesh to stabilise their livelihoods, they could not participate in price competition. As a breakthrough, they increased the number of new stores to increase sales, and, consequently, their inventory grew to over JPY 100 million. The members who joined the two founders and started the business reflected on the events of that time as follows:

‘We had a very difficult time and put a huge amount of effort into the garment market. However, I had no idea what I was doing when I realised that it [the garment business] had not led to any increase in employment in Bangladesh.’ (Interview, 8 March 2023)

Therefore, they withdrew from the children’s clothing business and moved into the organic baby clothing business exclusively for baby gifts, contrary to the failure

experience: low stock, no price competition, and products that could only be made in Bangladeshi factories.

In this way, the organisation transformed from a real estate agency to a company that developed social enterprises. However, once again, the President (Mr. T) stated that he became impatient:

‘Having been successful in several businesses, I gradually became more confident [about social businesses]. On the other hand, I started to get impatient with the slow pace of only one business a year. At that time, I was in charge of setting up new businesses, and when the business started to take off, I handed it over to another member. It takes at least a year to get a business off the ground, so if I had 30 years to run the first business, I could only have created 30 businesses. It is difficult to say that the world will be better when my life is over.’ (Taguchi, 2021, p. 161).

This sense of low speed led the organisation to take the next step.

5.3 Becoming a platform for bringing social enterprises (April 2014–August 2022)

The most significant event during this phase was the transformation from a social enterprise, where the founders develop the social business themselves, to a platform that brings social entrepreneurs together. The aim was to develop many social businesses quickly, as evidenced by the founder’s articulated ambition to ‘develop 100 new social businesses every year’ (Taguchi, 2021). Between March 2014 and March 2017, they gradually spun off eight of their social businesses, which had been run under the divisional form, into independent companies. This meant that a member who took over a business went from being a divisional manager to becoming the president of each company—a social entrepreneur. The organisation transitioned from a social enterprise to a pure holding company, owning 100% of the equity of each company, and completed its transformation into a platform. Thus, the first step in transforming the platform was to increase the autonomy of the members and encourage them to become social entrepreneurs. Explaining the reasons for the spin-off, the Vice President (Mr. S) said,

‘Although divisional managers are the heads of their respective businesses, up to that time, these businesses were built by the founder and passed on to them. Therefore, there is still a kind of “curse of the founder.” In that context, we needed to clarify that “you are the president.”’ (Interview, 12 December 2022)

Accordingly, the two founders changed their role from developing social enterprises to supporting social entrepreneurs and their social businesses. The President mainly advised on strategy and the business model, and the Vice President supported the business operations to achieve the goals set out in the milestones. In line with this organisational change, several management tools and schemes have been formalised to support new social entrepreneurs from joining the group to running their businesses independently. People who are concerned about a particular type of social problem and wish to address it through business apply to the Social Group. Those who are selected for employment are potential social entrepreneurs. After that, they receive instruction and training, where they are taught the principle of social business and how it differs from conventional business, as well as how to develop a business model based on a shared format. The social impact of each business, as a numerical indicator of how much the business model is expected to improve the social problem it is trying to solve, is defined based on the principle process of explicit social concept, constraining factors the business

must consider, and specified business content (see Appendix C). These principles and format are generalised and conceptualised by the experience of the previous stage of social business development. On this, the Vice President (Mr. S) said,

‘We need to communicate our fundamental thinking, which is the essential reason why we are the Social Group. [...]Essentially, we are here to create a social business, we need to share this with everyone [newcomers], who need to have firmly in mind that we are building businesses with the aim of solving social problems. [...]That is the thought behind this [a set of formalised management tools and schemes].’ (Interview, 31 May 2021)

After a few months of instruction and preparation, they begin to develop and propose a business plan, and it must be approved unanimously at meetings attended by all social entrepreneurs in the group. If the plan is approved, the new business will be established as an independent social enterprise within the group, and he/she will become the president of the new social enterprise—a new social entrepreneur. Explicitly articulating the social concept and social impact is important for gaining approval. Several interviewees, including the President and the Vice-President, commonly stated that ‘people who cannot clearly define the “social concept” part of their business format are easily known by others as not really aiming to solve social problems.’ One social entrepreneur described an example of a discussion at a meeting where a new business was rejected as follows.

‘At the last presidents’ meeting, the most repeated question from several people was “Is this really the social concept?” or “It would be better to articulate the social concept more clearly”. When we create a business, we do so by testing different hypotheses. Once the business has a bit more clarity, it is necessary to go back to the social concept. The social concept is an axis that never moves, that clearly states who it is for and how we wish the situation to be, and then if business model A fails, there might be B or C next. We all know that if the axis is not clear, the business will inevitably be vague, so it is important to make that clear.’ (Interview, 8 September 2021)

Once a business plan has been approved, the new company receives up to JPY 15 million (approximately EUR 102,000) in grants from the Group. A pay-forward system has been introduced to enable this, whereby funds collected from the profits of existing businesses, at the discretion of the social entrepreneurs, become seed funds for the new business within the Group (see Appendix D). As the business is operationalised, each company’s financial indicators, as well as the social impact defined at the planning stage, are measured monthly (see Appendix E). To support these performances and stabilise the business, specialised departments are set up within the group, including human resources, legal and accounting. In addition, regular meetings are arranged for four or five social entrepreneurs in pairs to share their current situation, performance and challenges.

In this sense, since its transformation into a platform, the number of social businesses developed by the Group has increased from 8 to 42 in August 2022. Many new social entrepreneurs had a similar experience with the university age of their founders. For example, there is a social entrepreneur who tackles the problem of homeless people by helping them find jobs and housing. When she was in high school, she first saw homeless people in central Tokyo and wondered why they had to sleep outside. She gave them the little money she had but it could not help them. This question led her to study

poverty and homelessness at university, and she also participated in NPO activities like serving food to homeless people. With these experiences, she could not find a job in a conventional company like the ones around her and stay away from the problem of homelessness.

‘I did a bit of job hunting for so-called big companies and when the interviewer asked me, “Is this what you really want to do?”, I felt it was not. I cannot lie to myself. [...] I also thought that although NPO activities can do something for the immediate, it’s hard to solve the root problems [...] So when I was considering things like why these problems occur, I understood that it’s inherent in the social structure. Well, I’m not sure I was thinking exactly that at the time, but I felt that a business could involve a much larger number of people. [...] Then I started thinking about how I could combine the problem of homelessness with work and business to find a sustainable solution, and that’s when I met the Social Group. I thought this would be the right place to do what I really want to do, and that is why I am here.’ (Interview, 20 February 2023)

In this manner, new social entrepreneurs concerned with a variety of social problems, such as environmental degradation, the homeless, the disabled, out-of-school children and many others, felt that they could realise their aspirations to address social problems and joined the Social Group (see Appendix B for the social issues addressed by each company). For these young entrepreneurs, who were aware of social issues but had little business experience and funding, the Group was an attractive place with its accumulated business know-how, support for start-up financing, operation and sharing of information with other entrepreneurs.

However, while this support encouraged these young entrepreneurs, there is no ‘best answer’ that will guarantee the success of all social enterprises, as social issues and business models vary widely. Some business models were recognised at the planning stage as having the feasibility to realise the social concept and generate social impact. However, once they entered the operational phase, many social entrepreneurs encountered financial difficulties just as the founders had experienced in the previous period. In particular, under the pay-forward system, which was designed to provide less experienced social entrepreneurs with financial support from experienced, skilled social entrepreneurs who have succeeded in generating profit and social impact, those ‘unstabilised’ businesses caused unexpected problems. The President (Mr. T) explained his views on this issue as follows:

‘It is not easy to make a profit and it can take many years. It takes a few years at the earliest, but it can take 5 or 6 years, depending on various factors. If one cannot make a surplus profit, they feel that all they can do is let the group members do the work for them and that they are not contributing to the community[group].[...] Despite this feeling of not contributing, they have the right to attend the president’s meeting [the highest decision-making body] and have a vote on important decisions such as whether to approve starting a new business. Then they feel “I’m no good.” If this goes on for several years, however, the sense of self-contribution and psychological security towards the community [the group] diminishes. This is a significant problem that needs to be addressed.’ (Participant observation, 8 December 2022)

Another problem arises for those who have succeeded in making a profit and have

turned to the provision side. Since the distribution of surplus profits to the common purse was at each social entrepreneur’s discretion, in businesses that operate successfully and generate profits, entrepreneurs have to decide whether to send the profits to the common purse or reinvest them to expand their businesses. On the one hand, the allocation of profits to the common purse is consistent with the original aim of the pay-forward system to promote mutual support among social entrepreneurs. On the other hand, reinvesting surplus profits in their businesses will expand business activities that address social problems, thereby creating more social impact. The founders described this as ‘double justice’ and the selection of social entrepreneurs under it.

‘In recent years, the scale of social impact has been declining, as some social entrepreneurs have been more concerned with the justice of allocating profit to the common purse rather than reinvesting it.’ (Vice President, interview, 12 December 2022)

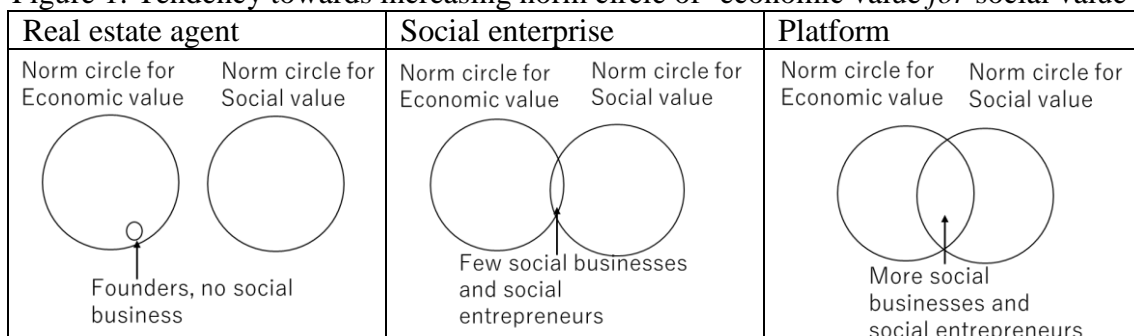
This quote shows that the Vice President (Mr. S) problematises the decline of social impact due to the social entrepreneurs not expanding their business, instead of appreciating their help to the new and unskilled social entrepreneurs. Considering this recognition, the World Congress was held in August 2022; it is a formal meeting held twice a year and attended by all the group’s social entrepreneurs to discuss and decide on the group’s most important issues. At the Congress, the two founders shared their reflections with the participants on the small social impact they had. Based on the founders’ proposal, social entrepreneurs discussed and decided on substantial organisational change again.

5.4 Summary

Overall, our empirical findings show a tendency to make explicit the essence of social business consistent with its definition: to solve social problems using business methods. As shown in Figure 1, this involves a journey to identify an area of overlap between two norm circles, the pursuit of economic value and the pursuit of social value, and the enforcement and enforcement by actors to increase overlapping boundaries.

Although the two founders had strong aspirations to address social problems by donating business success, their first stage—a real agent business—did not motivate them much to expand the business scale, as it was perceived as disconnected from the social problem. In other words, two norm circles for the pursuit of economic value and social value were separated, and their real agent business was only a small part belonging to the norm circle for economic value.

Figure 1: Tendency towards increasing norm circle of ‘economic value *for* social value’



Source: Authors' elaboration

This led them to take the next step: to become a social enterprise, integrating social issues into the business value chain. By doing that, they were able to see the poor farmers in Myanmar, the single mothers in Bangladesh and the discriminated foreign students improve their lives alongside their sourcing, manufacturing and service delivery. This signifies an overlap between two norm circles for the pursuit of economic value and social value, that is, extending business activity leads to increasing numbers of people needing help. Although some businesses achieved this ideal state, the example of their financial crisis in the Great East Earthquake and the garment business shows that the overlapping boundaries between the two norms are always fraught with the risk of becoming smaller and more separate from each other. As normative intersectionality grows, there is a need for reflexive individual agency (Elder-Vass, 2010, p. 143). This is shown in our case, where the founders repeatedly asked themselves 'What are we in business for?' when faced with challenges. This reflexivity clarified their understanding of the relationship between ends and means: they were in business to solve social problems. Here, the value of 'economic value *for* social value' was perceived as a normative principle in the process of actors' searching for the creation of 'a path that balances normative commitments that are in tension with each other' (Elder-Vass, 2010, p. 149).

The transformation into a platform is nothing more than the actors endorsing and enforcing the norm of 'economic value *for* social value' to expand the circle by gathering more social entrepreneurs and social enterprises. At this stage, the founders articulated that 'social business, that is, solving social problems is the end, and conducting business is the means, is the reason of the Social Group.' And to share this thought with newcomers, they developed a series of management tools and schemes to embody this reason, including instruction, training, business planning format, performance management system and pay-forward system. Through these practices, they aimed to provide knowledge, skills and information on developing social business, as well as financial support to new social entrepreneurs. In this way, the means–end relationship of social value and economic value, that is, the pursuit of 'economic value *for* social value,' is taken for granted, and thus, institutionalised as the normative value of the organisation. The social group, with this normative value, is the right place for those young, less experienced in business skills and funding, but with a concern for a certain social problem and a desire to address it through business.

Normative institutions flourish based on increasing shared commitments among the parties and the shaping of identities for the actors involved (Scott, 2013, p. 178). The increasing participation of social entrepreneurs and other members, as well as the number of social enterprises, shows that the normative value of 'economic value *for* social value' of the organisation certainly has the power to expand the boundary of the circle. However, our case also shows that this process is accompanied by iterative struggle and change. First, the evolution of the Social Group has shown three substantially different business and organisational forms. It started as a real estate agency, transformed into a social enterprise and became a platform. In addition, as we showed in the example of the financial crisis in the social enterprise stage and the suffering of many young social entrepreneurs who are unable to stabilise their business, there is a constant and inevitable need for change as social enterprises develop.

Throughout its process, the calculation of economic profit and social impact has been implicated. We propose that the provision of visibility and calculability by

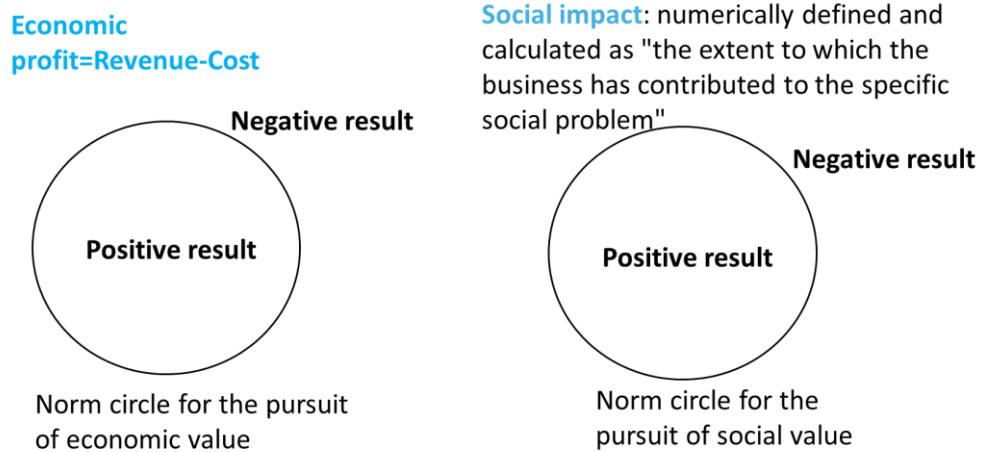
accounting calculation can be one of the mechanisms that generates the power of normative value of ‘economic value *for* social value’. In the following section, we present a retroductive analysis of the mechanism responsible for the iterative struggle and change observed in our case study.

6 Retroductive analysis

6.1 Accounting calculation as actual norm circle boundary

The norm circle has the emergent property or causal power to produce a tendency whereby individuals internalise the norm, and then endorse and enforce the norm through behaviour (Elder-Vass, 2010, 2012, 2022). The actual norm circle boundary, defined as that one might seek to establish the network of interlinked individuals who actually do endorse and enforce the norm concerned, ultimately determines when actual endorsing and enforcing behaviour is likely to occur (Elder-Vass, 2012, p. 26). Calculating economic profit and social impact is crucial in determining the boundary of the two norm circles, which are defined in terms of positive and negative results. That is to say, a positive result is indicative of an outcome within the circle, while a negative result is indicative of an outcome outside the circle (Figure 2).

Figure 2: Accounting calculation as actual norm circle boundary



Source : Authors’ elaboration

In any social business, it is imperative to recover the initial costs and make an economic profit. Generating profit by subtracting costs from revenue is the desired outcome as it can expand the boundary of the circle for the pursuit of economic value. The actors’ endorsement and enforcement of the expansion of this norm can be observed in a variety of practices. Social entrepreneurs were provided with a certain amount of seed funding if their proposals were accepted. Thereafter, the cash balance was tracked every month and placed at the top of the performance management system (Appendix E). If the balance reached zero, the business itself must stop, and, if social entrepreneurs were willing, they had the opportunity to propose another business plan to solve the same problem. Regarding the need for cash flow management, the Vice President said the following:

‘As the president of each social enterprise, it is clear that they have to run their business by seeing their real cash flow. So, it was decided that all social

entrepreneurs had to have a bank book. When they had a bankbook, they started to see how much cash they had left and they started to feel a real sense of reality in running the business.’ (Interview, 12 December 2022)

To help social entrepreneurs get their businesses off the ground and make a profit quickly, there is a milestone management system that outlines periodic goals and management strategies to be implemented at each stage (see rows of ‘Steps of Business,’ ‘Things to do,’ and ‘Recruitment’ in Appendix E). The support team set up by the group and headed by the Vice President provides advice and information when social entrepreneurs face problems in achieving goals at any stage. In this sense, recouping initial costs and generating economic profits is a norm shared by all members.

Social impact, in our case, is defined as ‘the numerical representation of how much impact we have had on the social problem we are trying to solve’ (Taguchi, 2021, p. 76). The founders of the Social Group state that ‘a company that does not set social impact or track it numerically is a company that is not seriously pursuing it’ and ‘social business means a business that has social impact as a management indicator’ (Taguchi, 2021, p. 249). Therefore, like the economic profit calculation, making a positive result, that is, constantly increasing the social impact, is the desirable outcome for the expansion of the circle for pursuing economic value.

In each social business, the social impact must be clearly defined at the proposal stage (Appendix C). It influences whether the business plan is accepted or rejected by the decision-making body, which comprises all social entrepreneurs in the group. Additionally, social impact is integrated into the performance management system (Appendix E). The social impact defined at the onset of the business plan should be measured monthly and disclosed throughout the group; every employee, including part-time employees, must have access to this information.

In addition to each social enterprise, there is consideration of the increasing social impact at the collective level. This is evident in their stated project to ‘create 100 social enterprises a year’ and their organisational changes to become a platform for the embodiment of the project. At this collective level, social impact was recognised as the number of social problems that they addressed. Here, social impact is the result of how much a group has contributed to social problems.

In summary, the calculation of economic profit and social impact, which is embodied in a variety of management tools and schemes, makes the pursuit of economic value and social value visible. This visibility encompasses both positive and negative results, which distinguish between those within and outside of the circle. It has an inherent causal power to influence actors to enforce and endorse the norms, thereby expanding its boundaries.

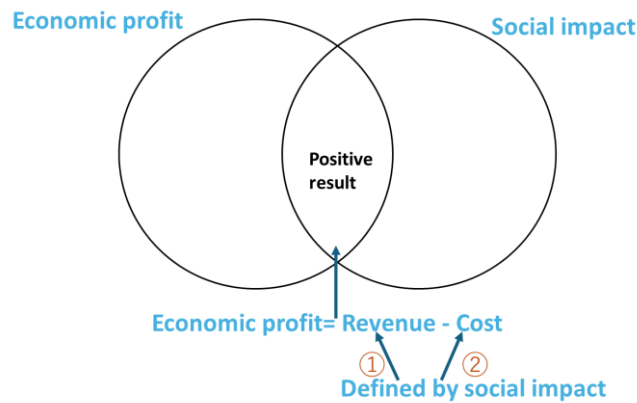
6.2 Calculating hybrid as norm circle for ‘economic value *for* social value’

Our empirical findings indicate a tendency towards expanding the norm circle of ‘economic value *for* social value.’ We have also analysed that the calculations for economic profit and social impact may have inherent causal power to influence actors’ enforcement and endorsement of the two norm circles. Given these considerations, a hybrid form of calculation that incorporates economic profit and social impact in a unified manner may be posited as a potential mechanism through which the value of ‘economic value *for* social value’ exerts its causal power.

In their transformation from a real estate agency to a social enterprise, they are

committed to integrating social issues into their business activities, and their social impact must be clearly defined in terms of their contribution to the social problems they address. Integrating social issues into business activities means that activities to generate and increase social impact define how economic revenue and costs, and hence profit, are calculated. Therefore, the calculating hybrid that influences the boundary of ‘economic value *for* social value’ can be shown in Figure 3.

Figure 3. Calculating hybrid as a norm circle for ‘economic value *for* social value’



Source: Authors’ elaboration

As illustrated in Figure 3, the calculating hybrid comprises two distinct patterns, designated as ‘① revenue defined by social impact’ and ‘② cost defined by social impact’. For example, in the case of shared housing, social impact is defined as an increase in the number of foreign residents while maintaining a certain proportion of foreigners and Japanese. This means that social impact defines how revenue is generated; that is, their revenue model should be based on attracting more foreigners to stay for a certain period rather than having fewer people stay for a relatively long period. The President of the Shared House said,

‘In terms of profit, the initial costs are set up so that the longer people stay, the more stable and the better the profit, but we don’t set it up so that people stay for a long time. I’d be happy if they stayed for a long time, but we’re not in the “let them stay for a long time” business. [...] Our social impact is the number of people who stay in the house. In a situation where the number of rooms is fixed, it’s important who stays and how often. Long-term stability is important if you need the profit, but what is our purpose? So going round and round in a short period of time is a good way to make a social impact. Also, as a business value and as a service value, there is actually a value to the share house, because people change regularly, it changes and updates as a community, and even though people have lived here for a year, they’ve become friends with 10 or 20 foreigners, and for them that’s the value. So when we think about service value and social impact, we don’t take the easy way out to make a profit, we try to make the profit we want to make.’ (Interview, 4 March 2023)

The stream of social businesses that set up the social impact from the customer’s side and the user of the product or service have one thing in common: the social impact defines and constrains revenue. In addition to shared housing, other examples include recycling children’s clothing, renewable energy and garments made from nature-friendly

materials. This pattern is shown by ① in Figure 3.

In another category of business, in which the social impact is defined from the sourcing and manufacturing side of the product or service, the social impact defines how and how much the cost would be (marked as ② in Figure 3). In their business of sourcing materials from farmers in Myanmar, the members realised through their research on rural villages that the root cause of poverty was financial debt. Farmers were forced into debt because they could not make a living owing to the low market prices at which their crops were sold. Poor farmers buy commodities not at the market price, but at the ‘farmer’s price’ to get out of debt and have a stable income, which is calculated based on the farmer’s cost of living and cultivation. As the farmer’s price is much higher than the market price, it is necessary to develop high-priced products and formulate high-value-added businesses. We described a similar event in which members had to change their business model from matching clothes to baby gifts. Maintaining the recruitment and number of single mothers and low income were necessary and constraining elements in making such a business model change. Many businesses providing jobs for people living in developing countries such as Bangladesh, Myanmar, Tanzania, Burkina Faso, and people living in Japan who have difficulty finding jobs, including the homeless, refugees, and the disabled, fall into this category.

In this way, the hybrid calculation of ‘economic value *for* social value’ can be conceived as the integration of social impact into the calculation of economic profit. A critical particularity of the formula is that social impact defines either revenue or cost. Under this mechanism, the desired outcome is to achieve a positive economic result *in condition* of a positive social impact.

7 Retrodictive explanation

The final stage in identifying the structures and mechanisms that have causal power is to provide retrodictive explanations of how the mechanism is responsible for producing events (Baker and Modell, 2019; Elder-Vass, 2012; Lawson, 1997). This section presents a retrodictive explanation of the observed struggle and change, as evidenced in the empirical description, concerning the proposed mechanism, as illustrated in Figure 3.

As a mechanism, norm circles are causally significant because they determine *whether and when* actors are subjected to the endorsement and enforcement of the norm (Elder-Vass, 2010, p. 129, italic added). According to the formula in Figure 3, the desired outcome is that the economic value is positive, provided that the social impact defines the revenue or cost. In an ideal state, an increase in economic profit causes an increase in social impact, both at the individual business level and at the collective level of the group. This will expand the overlapping boundaries of the circle, thereby exerting a causal influence.

However, achieving this ideal outcome is difficult because many social problems are at the root of inefficiencies (Yunus, 2008). Including social impact in the economic profit formula leads to inefficiency in the calculation. Thus, struggle and change can be explained as occurring *when* actual outcomes are distant from this ideal state. At the level of the individual business, the discrepancy between the desired and actual outcomes becomes evident as a deficit in economic profit. Considering this visibility, actors enforce and endorse the norm through their actions to restore the deficit. More specifically, changes occur when actors are taken to improve one side of the economic profit calculation, which is not defined by social impact. In other words, if the social impact defines revenue, their action would be considered on change the cost side; conversely, if

the social impact defines cost, their action would be considered on change the revenue side. These changes can be incremental or radical in nature.

The event of the shared house suffering deficit due to the impact of the earthquake shows little scope to increase revenue when the social impact defines the revenue side (the pattern ① in Figure 3). This is because the revenue is defined by the number of foreign residents. Thus, in this case, there has been an incremental change in the business model by adopting measures to reduce costs. However, the event of the withdrawal of the clothing market indicates that actions to survive the deficit are accompanied by radical change. This is the case for social impact that defines the cost side (pattern ② in Figure 3). In this case, as social impact is defined as the number of people recruited who have difficulty finding work, maintaining their livelihoods becomes the basis for business costs, which are usually higher than the market price. Therefore, developing a business in a conventional manner, such as by competing on price, effectuates a deficit. To make a profit under the condition of social impact, a radical change is imperative, from the product to the target market, to develop a novel business model. It is difficult to acquire such skills without being a skilled businessman.

The difficulty in achieving an ideal state, which makes positive economic profits conditional on the social impact on individual businesses, has influenced those involved in trying to achieve it at a collective level. Thus, organisational change (transformation to the platform) can be explained as a move from individual to collective outcomes. If the social impact is the sum of the social problems managed by the organisation, which is separate from the economic profit shown in Figure 3, then the transformation successfully increases social impact. However, the problems associated with the pay-forward system, as shown in the empirical description section, suggest that the collective outcome should be based on the positive outcomes of each enterprise. Specifically, the mechanism shown in Figure 3 should be the norm for achieving a collective outcome.

Thus, accounting, by calculating social impacts and economic value and incorporating the two acts as a normative mechanism, determines not only *whether* and *when*, but also *how* actors endorse and enforce the norm, leading to repeated struggles and changes observed in actual events.

8 Concluding remark

Based on an in-depth examination of the development of social business, this research empirically validates that accounting based calculating hybrid functions as a norm mechanism—an actual norm circle—in the pursuit of institutional value of ‘economic value *for* social value.’ This value proposition emanates from the fundamental definition of social business as the application of business methodologies to advance social well-being (Yunus, 2008). Employing the conceptual framework of ‘norm circles and their intersectionality’ (Elder-Vass, 2010, 2012, 2022) and the theoretical underpinning of critical realism, this study discerns the normative mechanism that exerts causal influence on the observed tendency in the empirical context.

This research contributes to the exploration of accounting in upholding value pluralism. While there are distinct approaches to embrace value pluralism mediated by accounting and calculation, which constitutes a ‘compromise’ involving diverse values, there is always a risk associated with transitioning from the initial intention of hybridity and hybrid organisation, aimed at embracing the pluralism of values, to the outcome of value purification, due to compromising by their nature harbouring fragility (Annisette et al., 2017; Aquino & Batley, 2022; Baud & Lallemand-Stempak, 2024; Kastberg

Weichselberger et al., 2023; Lepori & Montauti, 2020). In contrast, our value proposition of ‘economic value for social value’ entails a normative dimension where the pursuit of value pluralism is taken for granted and institutionalised, thereby encountering fewer challenges. By contending that accounting may serve as a normative mechanism in the pursuit of this value pluralism, we provide evidence that accounting calculations of hybrids entail the emergence of ‘a new modes of governing’ (Miller et al., 2010).

References

- Ahrens, T., & Ferry, L. (2022). Accounting, hybrids and hybridity – attending to the value dimension in institutional logics. *Qualitative Research in Accounting & Management*, 19(5), 696–715.
- Anderson-Gough, F., Edgley, C., Robson, K., & Sharma, N. (2022). Organizational responses to multiple logics: Diversity, identity and the professional service firm. *Accounting, Organizations and Society*, 103, 101336.
- Annisette, M., Vesty, G., & Amslem, T. (2017). Accounting values, controversies, and compromises in tests of worth. In *Justification, evaluation and critique in the study of organizations* (Research in the Sociology of Organizations, Vol. 52, pp. 209–239). Leeds: Emerald Publishing Limited.
- Aquino, A. C. B. de, & Batley, R. A. (2022). Pathways to hybridization: Assimilation and accommodation of public financial reforms in Brazil. *Accounting, Organizations and Society*, 98, 101297.
- Armendáriz, B., & Szafarz, A. (2009). *Microfinance Mission Drift?* https://www.microfinancegateway.org/sites/default/files/mfg-en-paper-microfinance-mission-drift-apr-2009_0.pdf
- Baker, M., & Modell, S. (2019). Rethinking performativity: A critical realist analysis of accounting for corporate social responsibility. *Accounting Auditing & Accountability Journal*, 32(17).
- Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*. *Academy of Management*, 53(6), 1419–1440.
- Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing – insights from the study of social enterprises. *The Academy of Management Annals*, 8(1), 397–441.
- Battilana, J., Besharov, M., & Mitzineck, B. (2017). On hybrids and hybrid organizing: A review and roadmap for future research. In R. Greenwood, R. E. Meyer, T. B. Lawrence, & C. Oliver (Eds.), *The SAGE handbook of organizational institutionalism* (2nd ed., pp.128–

- 162). Thousand Oaks, California: Sage Publications, Ltd. Baud, C., & Lallemand-Stempak, N. (2024). Quantitative technologies and reflexivity: The role of tools and their layouts in the case of credit risk management. *Accounting, Organizations and Society*, *112*, 101533.
- Bhaskar, R. (1979). *The possibility of naturalism: A philosophical critique of the contemporary human sciences*. New York, NY: Routledge.
- Boltanski, L., & Thevenot, L. (2006). *On justification: Economies of worth*. Princeton, NJ: Princeton University Press.
- Bunge, M. (2003). *Emergence and convergence: Qualitative novelty and the unity of knowledge*. Toronto: University of Toronto Press.
- Busco, C., Giovannoni, E., & Riccaboni, A. (2017). Sustaining multiple logics within hybrid organisations: Accounting, mediation and the search for innovation. *Accounting, Auditing & Accountability Journal*, *30*(1), 191–216.
- Carlsson-Wall, M., Kraus, K., & Messner, M. (2016). Performance measurement systems and the enactment of different institutional logics: Insights from a football organization. *Management Accounting Research*, *32*, 45–61.
- Casarin, V. (2023). Calculative frames, compromising metrics, and the multiple values of innovation: The case of technology incubation in the UK. *Accounting, Organizations and Society*, *111*, 101479.
- Chenhall, R. H., Hall, M., & Smith, D. (2013). Performance measurement, modes of evaluation and the development of compromising accounts. *Accounting, Organizations and Society*, *38*(4), 268–287.
- Danermark, B., Ekström, M., & Karlsson, J. C. (Ed.). (2002). *Explaining society: Critical realism in the social sciences*. Routledge.
- Edwards, P. K., O'Mahoney, J., & Vincent, S. (Ed.). (2014). *Studying organizations using critical realism: A practical guide*. OUP Oxford.
- Elder-Vass, D. (2010). *The causal power of social structures emergence, structure and agency*. Cambridge, UK: Cambridge University Press.
- Elder-Vass, D. (2012). *The reality of social construction*. Cambridge, UK: Cambridge University Press.
- Ezzamel, M., Robson, K., & Stapleton, P. (2012). The logics of budgeting: Theorization and practice variation in the educational field. *Accounting, Organizations and Society*, *37*(5), 281–303.
- Faulconbridge, J. R., & Muzio, D. (2021). Valuation devices and the dynamic legitimacy-performativity nexus: The case of PEP in the English legal profession. *Accounting, Organizations and Society*, *91*, 101224.
- Ferry, L., & Slack, R. (2021). (Counter) accounting for hybrid organising:

- A case of the great exhibition of the north. *Accounting, Auditing & Accountability Journal*, 35(3), 681–705.
- Fischer, M. D., & Ferlie, E. (2013). Resisting hybridisation between modes of clinical risk management: Contradiction, contest, and the production of intractable conflict. *Accounting, Organizations and Society*, 38(1), 30–49.
- Ghio, A., & Verona, R. (2022). Unfolding institutional plurality in hybrid organizations through practices: The case of a cooperative bank. *The British Accounting Review*, 54(4), 101041.
- Glynn, M. A., Hood, E. A., & Innis, B. D. (2020). Taking hybridity for granted: Institutionalization and hybrid identification. In *Research in the sociology of organizations* (pp. 53–72). Leeds: Emerald Publishing Limited.
- Grimes, M. G., Williams, T. A., & Zhao, E. Y. (2019). Anchors aweigh: The sources, variety, and challenges of mission drift. *AMRO*, 44(4), 819–845.
- Grossi, G., Vakkuri, J., & Sargiacomo, M. (2022). Accounting, performance and accountability challenges in hybrid organisations: A value creation perspective. *Accounting, Auditing & Accountability Journal*, 35(3), 577–597.
- Jordan, S., Jørgensen, L., & Mitterhofer, H. (2013). Performing risk and the project: Risk maps as mediating instruments. *Management Accounting Research*, 24(2), 156–174.
- Kastberg Weichselberger, G., Firtin, C. E., & Bracci, E. (2023). Hybridisation, purification, and re-hybridisation: A study of shifting registers of value. *The British Accounting Review*, 101201.
- Klein, S., Schneider, S., & Spieth, P. (2021). How to stay on the road? A business model perspective on mission drift in social purpose organizations. *Journal of Business Research*, 125, 658–671.
- Kraatz, M. S., Flores, R., & Chandler, D. (2020). The value of values for institutional analysis. *Academy of Management Annals*, 14(2), 474–512.
- Kraus, K., Kennergren, C., & von Unge, A. (2017). The interplay between ideological control and formal management control systems – A case study of a non-governmental organisation. *Accounting, Organizations and Society*, 63, 42–59.
- Kurunmäki, L. (2004). A hybrid profession—the acquisition of management accounting expertise by medical professionals. *Accounting, Organizations and Society*, 29(3), 327–347.
- Kurunmäki, L., & Miller, P. (2011). Regulatory hybrids: Partnerships, budgeting and modernising government. *Management Accounting*

- Research*, 22(4), 220–241.
- Lawson, T. (1997). *Economics and Reality*. New York, NY: Routledge.
- Lepori, B., & Montauti, M. (2020). Bringing the organization back in: Flexing structural responses to competing logics in budgeting. *Accounting, Organizations and Society*, 80, 101075.
- Maran, L., & Lowe, A. (2021). Competing logics in a hybrid organization: ICT service provision in the Italian health care sector. *Accounting, Auditing & Accountability Journal*, 35(3), 770–800.
- Miller, P. (2004). Governing by numbers: Why calculative practices matter. In A. Amin & N. Thrift (Eds.), *The Blackwell cultural economy reader* (pp. 179–190). Oxford, UK: Blackwell Publishing Ltd.
- Miller, P., Kurunmäki, L., & O’Leary, T. (2008). Accounting, hybrids, and the management of risk. *Accounting, Organizations and Society*, 33(7), 942–967.
- Miller, P., Kurunmäki, L., & O’Leary, T. (2010). Calculating hybrids. In A. Higgins & W. Larner (Eds.), *Calculating the social: Standards and the reconfiguration of governing* (pp. 21–37). London, UK: Palgrave Macmillan.
- Millo, Y., Power, M., Robson, K., & Vollmer, H. (2021). Editorial: Themed section on accounting and valuation studies. *Accounting, Organizations and Society*, 91, 101223.
- Moss, T. W., Short, J. C., Payne, G. T., & Lumpkin, G. T. (2011). Dual identities in social ventures: An exploratory study. *Entrepreneurship Theory and Practice*, 35(4), 805–830.
- Pache, A.-C., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, 56(4), 972–1001.
- Polzer, T., Meyer, R. E., Höllerer, M. A., & Seiwald, J. (2016). Institutional hybridity in public sector reform: Replacement, blending, or layering of administrative paradigms. In *How institutions matter!* (Research in the Sociology of Organizations, Vol. 48B, pp. 69–99). Leeds: Emerald Group Publishing Limited.
- Santos, F., Pache, A.-C., Birkholz, C. (2015). Making hybrids work: Aligning business models and organizational design for social enterprises. *California Management Review*, 57(3), 36–58.
- Sargiacomo, M., Corazza, L., D’Andreamatteo, A., & Torchia, D. (2022). Megaprojects and hybridity. Accounting and performance challenges for multiple diverse actors and values. *The British Accounting Review*, 101152.
- Sayer, A. (1992). *Method in social science: A realist approach* (Second edition). Routledge.

- Sayer, A. (2000). *Realism and social science*. Thousand Oaks, California: SAGE Publications.
- Scott, W. (2013). *Institutions and organizations: Ideas, interests, and identities* (4th ed.). Thousand Oaks, California: SAGE Publications.
- Simmel, G. (1955). *Conflict and the Web of Group-Affiliations* (Translated by Wolff, K. H. & Bendix, R.). The Free Press.
- Smith, W. K., & Besharov, M. L. (2019). Bowing before dual gods: How structured flexibility sustains organizational hybridity. *Administrative Science Quarterly*, 64(1), 1–44.
- Smith, W. K., Gonin, M., & Besharov, M. L. (2013). Managing social-business tensions: A review and research agenda for social enterprise. *Business Ethics Quarterly: The Journal of the Society for Business Ethics*, 23(3), 407–442.
- Stark, D. (2009). *The sense of dissonance*. Princeton, NJ: Princeton University Press.
- Taguchi, K. (2021). 9 Wari no shakaimondai wa bijinesu de kaiketsu dekiru (*Ninety per cent of social problems can be solved by business*). PHP institute, Inc.
- Thomson, I., Grubnic, S., & Georgakopoulos, G. (2014). Exploring accounting-sustainability hybridisation in the UK public sector. *Accounting, Organizations and Society*, 39(6), 453–476.
- Trevisan, P., & Mouritsen, J. (2023). Compromises and compromising: Management accounting and decision-making in a creative organisation. *Management Accounting Research*, 100839.
- Weichselberger, G. K., & Lagström, C. (2022). Accounting in and for hybrids. Observations of the power of disentanglements. *Accounting Auditing & Accountability*, 35(3), 706–733.
- Wry, T., Lounsbury, M., & Jennings, P. D. (2014). Hybrid vigor: Securing venture capital by spanning categories in nanotechnology. *Academy of Management Journal*, 57(5), 1309–1333.
- Yunus, M. (2008). Creating a world without poverty: Social business and the future of capitalism. *Global Urban Development Magazine*, 4(2), 16–41.
- Yunus, M., Moingeon, B., & Lehmann-Ortega, L. (2010). Building social business models: Lessons from the grameen experience. *Long Range Planning*, 43(2), 308–325.
- Zachariadis, M., Scott, S., & Barrett, M. (2013). Methodological implications of critical realism for mixed-methods research. *The Mississippi Quarterly*, 37(3), 855–879.

Appendix

Appendix A: Data collection

1. Semi-structured interviews

No.	Data	Interviewee	Time (minutes)
1.	31 May 2021	Vice President	90
2.	09 September 2021	Social entrepreneur A	60
3.	10 September 2021	Social entrepreneur B	75
4.	14 September 2021	Social entrepreneur C	60
5.	22 October 2021	Start-up studio member A	40
6.	16 November 2021	Start-up studio member A	60
7.	09 March 2022	Start-up studio member B	90
8.	28 March 2022	Vice President and start-up studio member B	90
9.	23 June 2022	Start-up studio member B	160
10.	30 September 2022	Social entrepreneur D	180
11.	15 November 2022	Start-up studio member B	60
12.	12 December 2022	Vice President	140
13.	19 December 2022	Social entrepreneur D	60
14.	20 February 2023	Social entrepreneur E	75
15.	28 February 2023	Social entrepreneur F	120
16.	04 March 2023	Social entrepreneur G	120

17.	08 March 2023	Social entrepreneur H	120
18.	14 April 2023	Social entrepreneur G	90
19.	2 September 2023	Vice President	60
20.	30 September 2023	Vice President	60
21.	13 October 2023	Vice President	90
22.	17 November 2023	Social entrepreneur I	90
23.	20 November 2023	Vice President	90
24.	18 December 2023	Vice President	60
25.	15 January 2024	Social entrepreneur J	60
26.	15 January 2024	President	120
27.	15 January 2024	A member preparing to start up	30
28.	25 January 2024	Social entrepreneur J	60
29.	13 February 2024	Vice President	60
30.	11 March	Vice President	120

2. Participant observation

No.	Data	Event	Main speaker(s)	Time (minutes)
1.	24 October 2020	Symposium held by an outside organisation	President and other socially influential speakers	30
2.	30 March 2021	Seminar held by the group	President and other social activists	60
3.	01 June 2022	Workshop for introducing social businesses and social entrepreneurs	Social entrepreneur D	90
4.	01 July 2022	Workshop for introducing social businesses and social entrepreneurs	Social entrepreneur F	90
5.	08 December 2022	Seminar held by a company within the group	Two founders and social entrepreneur G	240
6.	17 December 2022	Seminar held by a company within the group	Social entrepreneurs G and H	180
7.	26 January 2023	Workshop for introducing social businesses and social entrepreneurs	Social entrepreneur I	80
8.	14 October 2023	Event to promote social business in collaboration with university and administrative institutions.	Two founders and more than 40 social entrepreneurs	480

Appendix B: Social businesses conducted by the group

Business no.	Social problems to be solved	Contents of business	Social impact
1	People have thoughts and concerns about social issues but face difficulty in taking action	Planning, development and operation of crowdfunding business	Number of crowdfunding projects and supporters
2	Low income for organic farmers in urban and suburban areas	Organic farming, harvesting and farming experience business	Improve the annual income of as many farmers as possible by 1 million yen

3	Penetration rate of renewable energy is only 20%	Solar power generation business and solar leasing business	Amount of natural energy generated and number of solar power installations
4	Employment problems of people with low incomes in urban areas of Bangladesh	Design, inspection and sales of leather products	Number of direct employees and number of units produced
5	Global warming caused by human emissions of carbon dioxide	Sale of electricity that does not emit CO2	Number of consumers, carbon dioxide emissions reduced by switching to electricity
6	Problem of 'invisible' homeless people who cannot escape poverty	Human resource introduction business	Number of homeless people employed and number of homeless people contacted
7	Poverty and isolation of refugees in Japan and the indifference of society	Reuse and recycle sales of electronic equipment	Number of refugees employed
8	Society that discards resources that do not need to be discarded as garbage	Sale of urban composting kits to create sustainable food cycles	Amount of food waste reduced, amount of CO2 emissions reduced, number of regular buyers
9	Garbage problem that causes greenhouse gas and energy emissions	Production and sale of compost	Creating a sustainable food cycle that starts with the individual through composting
10	Problem of technical intern trainees suffering in the workplace or disappearing	Online Japanese language education for technical intern trainees	Number of technical intern trainees who can speak Japanese
11	Problem of stateless children living in Malaysia	Annotation agency service	Number of stateless children able to acquire the nationality
12	Society that shuns marital problems as something that should not be touched	Online platform business specializing in marital problems	Number of members of Futarino
13	Preventing postpartum depression	Education business for pregnant couples to 'prevent' postpartum depression	Number of students attending parent's school

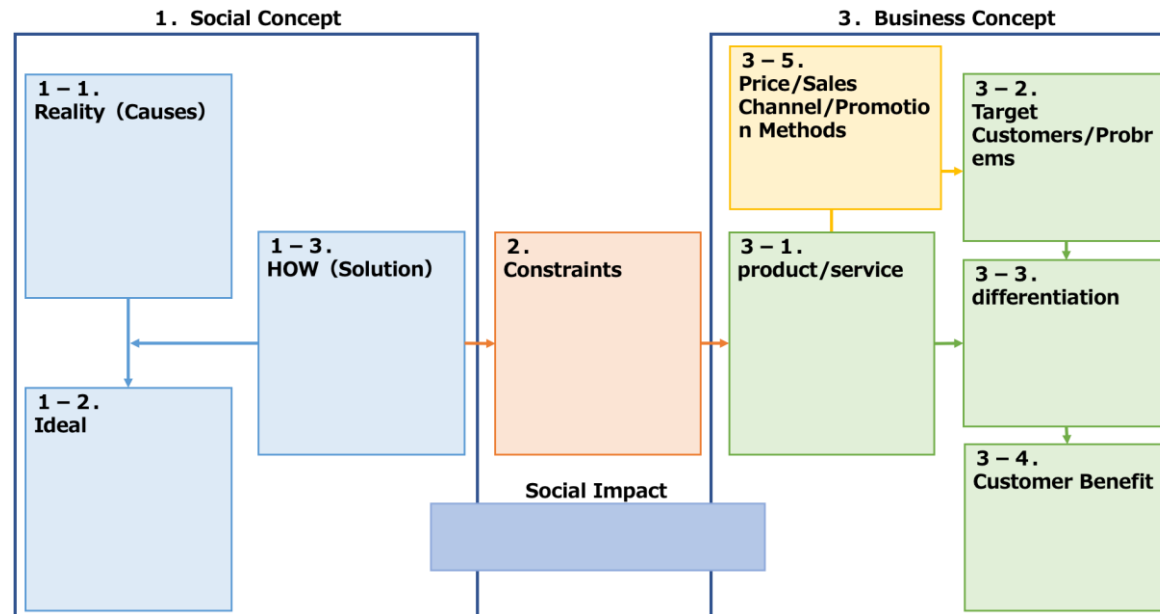
14	Discriminatory prejudice against different cultures and a closed society	Operation of 'BORDERLESS HOUSE', a multinational community house that creates a world without prejudice	Number of cumulative residents
15	Young people with low self-esteem and anxiety about working	Human resource introduction business	Number of permanent employees, number of new entries
16	Problems of people without a place to work due to inexperience and lack of schooling	Manufacture and sale of custom-made leather goods	Number of employees and their family members employed in Bangladesh factories, which are production centres
17	Limited availability of jobs for people with mental and developmental disabilities	Manufacture and sale of small leather goods	Number of direct employees
18	Problem of low self-esteem due to poor school fit	After-school classes and free school business	Number of children who are now able to have their own themes of inquiry
19	Increasing number and younger age of children with mental illness	Childcare for schoolchildren	Number of children who have a third party with whom they can talk about their true feelings and who notices changes in them
20	Problem of building material loss that is discarded in favour of economic efficiency	Reuse and outlet sales of building materials	Amount of building materials collected and resold
21	Poverty problem of women who are not employed owing to a lack of education and skills	Housekeeping service business	Number of mothers employed
22	Problems in rural areas that are losing their function as towns owing to population decline	Migration support services	Number of people who actually migrated and number of people consulted on migration
23	Society where people and environment-friendly clothing are not the norms	Selective sales of people- and environment-friendly apparel	Number of purchasers of ethical products

24	Small farmers with insecure incomes and those who are unable to get out of debt	Production and sale of herbal products for pregnant and lactating mothers	Number of direct contracts farmer families, community trade purchase, and total herb purchases
25	Problem of child labour in Bangladesh and the negative cycle of poverty	Production and sale of organic baby clothes	Number of direct employees and number of children of employees
26	Low rate of social and political participation in Japan	Influencer office to overcome indifference	Number of registered transmitters, number of people who participated in educational programs, and the total number of followers
27	Livestock deaths and disuse due to lifestyle-related diseases	A society where the happiness of cows makes people happy	Number of cows rebred; acreage of farmland reused
28	Decrease in the number of people working in agriculture	Cultivation and sale of agricultural products	Number of jobs and acreage under cultivation on abandoned land
29	Changing the 'disposal habit' of consumers who consider unnecessary items as garbage	Reuse business of children's clothing and baby products	Number of mothers who found us and started using recycling
30	Problem of enthusiastic teachers giving up the pursuit of an ideal education	Management of educational media and events for teachers	Number of magazine subscribers; the number of teachers' school members
31	Rural poverty in Africa, where agriculture does not provide a stable income	Platform service for poor rural villages, commercial fruit, and vegetable delivery business	Number of farmers in the group, number of 'Alpha Chama Groups' of small farmers in Kenya
32	Problem of former prisoners in Ecuador who cannot find work	Production and sales of facial cleansing soap	Number of female ex-prisoners employed by the company and the number of their children who are now able to attend school.
33	Problem of chronic farmer poverty with no solution	Community trade supporting small farmers in Myanmar	Annual purchase price, number of farmers under contract, and number of farmers under contract
34	Poverty problems faced by farmers in remote rural areas of Myanmar	Operation of agricultural support centres to help poor farmers	Number of service users

35	Negative cycle of poverty associated with education and employment opportunities	Outsourced poultry farming and support business	Number of contracted poultry farmers and number of children educated
36	Difficulties in employment for low-income people in Bangladesh	Manufacturing of small leather goods and bags and apparel products	Number of direct employees and number of their families
37	Employment difficulties of the deaf and hard of hearing in Bangladesh	Manufacture of leather shoes to train shoemakers	Number of direct employees and their families
38	Employment difficulties of illiterate and disabled people in Bangladesh	Inspection and OEM contracting	Number of direct employees and their families
39	Employment difficulties of single mothers in Bangladesh	Manufacturing of organic baby clothes	Number of direct employees and their families
40	Poverty problems of young single mothers in Tanzania	Sanitary napkin manufacturing and sales business	Number of single mothers who saved their target funds and undertook the challenge to achieve their dreams
41	Poverty problems of small farmers in Cambodia	Poultry farming outsourcing business	Number of farmers on contract
42	Poverty problems of sugarcane farmers	Entrepreneurial support for social business in the Philippines	Number of farmers on contract

Source: The group webpage on the introduction of social businesses (accessed on 1 August 2022).

Appendix C: Format of social business model



Source: From an internal document

The social business model is developed as the next stage:

1. Defining the social concept (the left-hand side of the figure)

This involves answering three questions:

- 1-1 Who are the people currently involved in the social issue? What are their problems? What are the causes?
- 1-2 What is the ideal situation when this social problem is solved? What should the society be like in this ideal situation? What will the people who have been suffering be like in the ideal society?
- 1-3 What is the distance between 1 - 1 and 1 - 2? - This can be a source for solving the social problem, then, what are the possible solutions?

2. Identifying constraining factors (2. Constraints in the figure)

This is the process of identifying the constraining factors that are critical and necessary conditions to achieve the social concept. For example, in the case of the baby clothing business employing single mothers in Bangladesh, the cost of living for these workers is a

constraint that determines the price of the products. Identifying constraints can prevent the content of the business from being driven by the business idea rather than the social concept.

3. Devising business concept and model (the right-hand side of the figure)

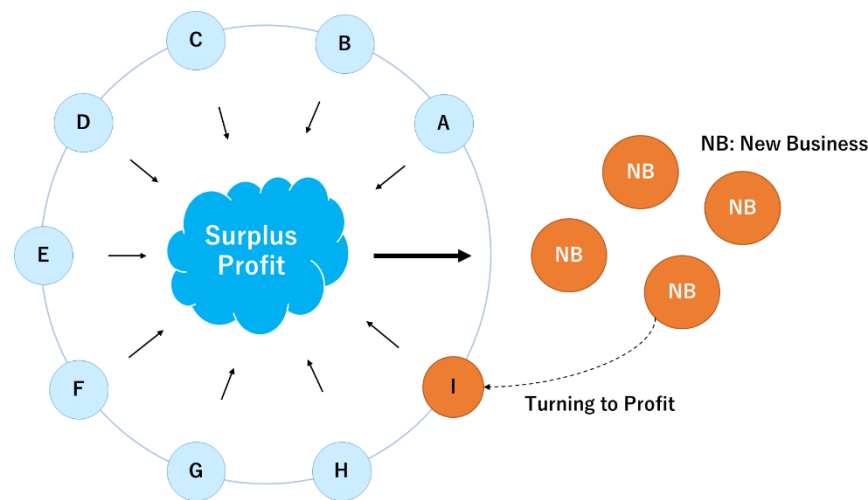
This involves answering the following questions.

- 3-1 What products/services satisfy the constraints?
- 3-2 Who are the consumers of those products/services? What problems does the consumer face when becoming a customer?
- 3-3 What makes the products/services different from existing products/services? Can they be differentiated?
- 3-4 What are the customer benefits of using the product/service under consideration?
- 3-5 What are the appropriate prices, sales channels, and promotion methods for the product/service?

4. Defining 'social impact'

Social impact is defined as a numerical indicator of how much the business model is expected to improve the social problem it is trying to solve. It is defined based on the principle order of 'social concept → constraints → business model' shown in the figure. Here, the social concept is the most important factor in determining the social impact. In other words, the business model can be changed, but the social concept should not be changed.

Appendix D: Pay-forward system



Source: Illustrated from the website of the organisation (accessed on 1 August 2022).

By becoming members of a group, social entrepreneurs can develop businesses that address social problems by establishing an independent company under the group. Appendices F, A, B, C, and so on (surrounded by the blue circles) show how each company conducts a social business. The ‘surplus profit’ in the diagram (blue in the middle) is known as the common purse and is collected from each company that makes a profit and is used to establish new businesses (surrounded by the orange circles), the group’s working environment and welfare. The president of each company has discretion over whether and how much to contribute to the common purse, considering business performance and reinvestment in business expansion.

Appendix E: Format of monthly management sheet

Residual operating cash																
		Initial cash			Initial operating cash					Accumulated Cash Losses						
¥9,500,000		¥5,000,000			¥10,000,000					- ¥ 5,500,000						
Operating fund balance	¥10,000,000	¥9,500,000														
Milestone	Plan approval	Start of business within 3 months			Presentation of winning scenarios within 3–6 months						Achievement of two consecutive months of non-consolidated profitability within the first 12 months					
	0	1	2	3	1	2	3	4	5	6	7	8	9	10	11	12
Month	2020/1	2020/2	2020/3	2020/4	2020/5	2020/6	2020/7	2020/8	2020/9	2020/10	2020/11	2020/12	2021/1	2021/2	2021/3	2021/4
Steps of the Business		Birth phase <Haemostasis>			Crawling phase <Haemostasis>						Waddling phase <Acceleration>					

Things to do	Start as soon as possible to preserve as much cash flow as possible.	Try to test as many hypotheses as possible. (Speed of execution is everything, do not look for the right answer) (1) Targets (2) Products and services (3) Establishment sales methods	While spending a moderate advertising budget, ensure steady sales volume. (4) Acceleration of promotions (5) Establishment of operations
Recruitment	Don't hire anyone	Hiring only part-time when inevitably needed for business operations.	Hiring only vice presidents and founding members (General employees will be a management issue. Part-time employees are acceptable)

Performance

Sales																
	Sales A															
	Sales B															
Margin																
	Gross margin ratio															
SG&A expenses																
	Labor cost															
	Office rent															
	...															
	...															
	Others															
Operating profit																

	Operating profit ratio															
	Social Impact (Number of XXX)															
KPI																
	A															
	B															
	C															
	...															

Source: Taguchi (2021, p. 259), partially revised.