



## Social Entrepreneurial Capabilities and Shared Value Creation: Insights from Social Enterprises in Western Province of Sri Lanka

F. M. Fairoz<sup>1</sup> and G.M.M.K Rathnayaka<sup>2</sup>

<sup>1,2</sup> Department of Management and Entrepreneurship, Faculty of Management and Finance,  
University of Ruhuna, Sri Lanka.

### Abstract

Social Entrepreneurship plays a vital role in introducing social innovations to pressing social problems. Social entrepreneurship requires high level of interaction with the stakeholders in order to create economic, social, and environmental values. Hence, social enterprises need to develop unique capabilities which are important to create shared value. However, the impact of social entrepreneurial capabilities on shared value creation needs more research where lack of empirical studies in the Sri Lankan context. Therefore, the main aim of the study is to investigate the effect of social entrepreneurial capabilities on value creation of social enterprises in Sri Lanka. Further, this study identified the social entrepreneurial capabilities under four dimensions as mission-driven management capabilities, stakeholder management capabilities, cross-sector management capabilities and environmental management capabilities and value creation under three dimensions as economic value creation, social value creation and environmental value creation. This study is quantitative in nature and data was collected from 100 social entrepreneurs in Western province through a structured questionnaire. Regression analysis was performed to test the hypotheses and to achieve the research objectives. The results of this study reveal that there is a significant positive effect of social entrepreneurship capabilities on shared value creation of social enterprises. Since this is an emerging research area, study contributes to the existing literature and the outcome of this study will provide valuable insights for policy makers in Sri Lanka. Ultimately, it opens avenues for further studies as well.

**Keywords:** *Social Entrepreneurship Capabilities; Shared Value Creation; Social Enterprises; Sri Lanka*

Received: 30<sup>th</sup> May 2024

Accepted: 08<sup>th</sup> January 2025

Published: 5<sup>th</sup> March 2025

Corresponding author:

F. Mafasiya Fairoz

E-mail address:

[mafasiya@badm.ruh.ac.lk](mailto:mafasiya@badm.ruh.ac.lk)



009-0009-2119-1735

DOI:

<https://doi.org/10.4038/wjm.v15i2.7629>

pp: 37 - 57

ISSN: 2012-6182

Wayamba Journal of Management  
Department of Business Management  
Wayamba University of Sri Lanka

Journal Home Page:

<https://fbsf.wyb.ac.lk/wayamba-journal-of-management/>

## Introduction

Social entrepreneurs create economic, social and environmental values in their communities to solve social problems. As a hybrid organization, the function of a social entrepreneur is critical in that he controls and recognizes economic, social and environmental values to be achieved under the strain of contradiction or conflict (Shin, 2018). The concept of social entrepreneurship is an emerging research area in the world which provides innovative solutions to social problems prevailing in the society. Social entrepreneurs play a significant role in order to make social change while creating shared value and innovating to alleviate social problems (Shin, 2018). Ebrashi (2013) defines “*social entrepreneurship as a process that involves discoursing opportunities, experimenting with ideas, forming innovating social organizations, obtaining social outcomes, and working for the enterprises’ growth*”. Most of the countries in the world are dealing with numerous social problems, and both government and non-governmental organizations have failed to develop long term solutions for them (Bodi, 2023). Thus, social Entrepreneurship aims to contribute to the economy by providing novel solutions to prevailing social issues. Unlike commercial businesses, social enterprises have a dual mission such as earning income in order to attain financial sustainability and also focus on creating social and environmental values (Ormiston & Seymour, 2011). According to Sinthupundaja et al., (2020), “*social enterprises create collective value in the form of social,*

*economic, and environmental domains*”. According to Auerswald (2009), “*social entrepreneurs create new disruptive models and focused on generating value in economic, social and environmental domains*”. Creating shared value can contribute to building a sustainable business by considering social impacts and eco-friendly resource management in the production process, increasing market acceptance and trust (Porter & Kramer, 2011).

In the process of creating values, social entrepreneurs demonstrated a wide range of capabilities focusing on three pillars of sustainability. Capabilities refer to “*the ability to carry out a desired action into fruition and it bridge the gap between expected and actual results*” (Day, 2016). Capabilities of social entrepreneurs are highlighted rather than a personality or attribute, it is effective in analyzing and interacting the casual, behavioral and commanding components of social entrepreneurship (Singh, 2016). Social entrepreneurs need to have some capabilities to initiate and manage their ventures to achieve its goals as well as to maintain the sustainability and achieving competitive advantages while creating shared value (Rey-Marti, Ribeiro-Soriano, & Palacios-Marques, 2016). Committed to creating shared value are better positioned to strengthen their social entrepreneurial capabilities, as the process of integrating social and environmental considerations into business strategies fosters a culture of innovation and collaboration. When social enterprises develop social

innovations, they simultaneously enhance the skills and knowledge necessary for effective social entrepreneurship, enabling them to create lasting impact while creating shared value. Collaboration between social entrepreneurs can rapidly and sustainably generate shared value for organizations and serve as a guide for investment decisions (Barnabas et al., 2020). Based on these arguments social entrepreneurship involves developing organizational capabilities in creating shared value.

Social enterprises are important to Sri Lanka after the collapse of the Meethotamulla waste disposal site in 2017 which created severe social issues and death of lives (Fairoz et al., 2023). Moreover, social entrepreneurship is a new phrase to Sri Lanka that addresses a variety of social and environmental issues by creating new chances for long term development. Recently, social enterprises are rapidly expanding and operating in all major sectors such as manufacturing, services, agriculture, environmental & cultural protection, and providing unique benefits for the people to improve their livelihood (Holmstrom, 2018). Although the term of “social enterprise” is new to Sri Lanka, the practice of using business ideas and market mechanisms to address social issues has a long and illustrious history in the shape of co-operatives, thrift organizations, welfare and development groups (Lanka social ventures, 2018). Simultaneously, Covid 19 pandemic situation also showed signals for social entrepreneurs that the economy needs innovative solutions to solve

prevailing social issues. Moreover, even though many social enterprises are established in Sri Lanka, dearth of value given for such enterprises (Gunasinghe and Fairoz, 2020) and the argument in the academia in emerging economies are incomplete (Gunasinghe & Fairoz, 2020 as cited in Boluk and Mottiar, 2014; Omorede, 2014; Ghalwash et al., 2017). Social enterprises in Sri Lanka have strong growth aspirations, aiming to increase sales with existing customers and diversify into new markets (British Council, 2018). Although numbers of social enterprises are rising in Sri Lanka over the years, their value creation is not well-recognized. Further, there is still a lacuna of research on the shared value creation from social enterprises in Sri Lanka (Fairoz et al., 2023 & Jayasinghe et al., 2020). Hence, there is a contextual gap in the literature and present study is conducted to fill the space by investigating the influence of social entrepreneurship capabilities on shared value creation of social enterprises in Sri Lanka.

## **Literature Review and Hypotheses**

### ***Social Entrepreneurship***

Social entrepreneurship is recognized as a force for change by a wide range of actors, including international organizations, government decision-makers, enterprises, civil society, and citizens, all over the world. This worldwide phenomenon has been frequently unfolding at local levels since the 1990s, developing in a variety of socio-political circumstances. Many people choose

entrepreneurial careers and paths because they believe that they will be provided higher commercial and psychological rewards than the traditional repetitive corporate methods and in the global dialogue on volunteerism and civic responsibility, social entrepreneurship is progressively becoming a critical, important, and highly crucial factor (Tanvi, 2018). Since the economies have been facing too many difficulties due to the global social and environmental issues such as prolonged poverty, health issues, uncompromising pollution, climate change etc. could help to minimize through the innovative social business models. Mair and Marti (2006) defined social entrepreneurship as *“exploit opportunities towards social change that satisfying human needs in sustainable manner by innovative use and resource combination process”*. According to Dees (1998), social entrepreneurs play the role of change agents by *“adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created”*. According to Alvord, Brown, and Letts (2004), *“social entrepreneurship is a catalyst for a social transformation through creating innovating solutions to overcome social problems by achieving sustainable social transformations”*.

### ***Social Entrepreneurial Capabilities***

Social entrepreneurs need unique capabilities than the traditional profit maximizing entrepreneurs. To improve social entrepreneur’s ability to achieve social goals while gaining competitive advantages, some capabilities are vital for social enterprises in founding and managing the business while attracting and allocating unique resources in triple bottom line dimensions (Marti et al., 2016). Several social entrepreneurship capabilities have identified in the literature namely mission driven management (MDM), stakeholder management (SM), cross-sector collaboration (CSC), and environmental management (EM) (Tate & Bals, 2018; Sinthupundaja et al., 2019; Jones, et al., 2018; Desa & Basu 2013; Miller & Wesley, 2010; Clarke & Crane, 2018).

### ***Shared Value Creation***

According to Gandhi and Raina (2018), Social entrepreneurship stands out among the several sorts of entrepreneurial pathways because of its value proposition. Sinthupundaja et al. (2020) stated that *“social entrepreneurship can be represented as a transitional vehicle that serves for creating shared value among an entrepreneur, society and the environment”*. Therefore, value creation takes place with the contribution of three sectors as economic, social and environment. Social entrepreneurs should foster economic, social and environmental values in their communities, portraying social enterprises as institutions that exist to solve social

problems. As the leader of a hybrid organization, seeking economic, social and environmental values all at once, the function of a social entrepreneur is critical in that he controls and recognizes economic, social, and environmental values to be achieved under the strain of contradiction or conflict (Shin, 2018).

### ***Economic Value Creation (EVC)***

Economic value refers to “*an enterprise’s benefits that are used to survive grow and run the business smoothly*” (Sinthupundaja et al., 2020). Ormiston and Seymour (2011) stated that social entrepreneurs produce social goods via the creation or expansion of economic activity which in return make social changes in the communities. Although the purpose of a social enterprise is to provide solutions to a social problem, it is essential that they create an economic value because they need funds to achieve their objectives. According to the view of Shin (2018), for social entrepreneurs, it is difficult to not only offer benefits for the society that commercial enterprises do not, but also to pursue a financial objectives with limited resources and support, by generating profits, social enterprises hope to attain economic benefits while achieving their mission. Economic value creation of an enterprise can be measured by using return on investment, debt/equity ratios, price/earnings, and a variety of other econometrics have been refined throughout ages, resulting in a plethora of econometrics (Austin & Seitanidi, 2012).

### ***Social Value Creation (SVC)***

Social value refers to “*benefits for society, local people and the local community, to resolve social problems around local communities such as enhancing community health and safety and uplifting the well-being of local people*” (Sinthupundaja et al., 2020). Creating a social value is the major objective of social enterprises because social entrepreneurs mainly focused on achieving a social mission. Social value is generated, when inputs, resources, policies or processes are integrated to improve individual’s lives or society as a whole (Singh, 2016). Social value of an enterprise can be measured by using employee retention, business health culture index, women in management, technology for non-profits, employee engagement, social investment and employee volunteerism (Austin & Seitanidi, 2012).

### ***Environmental Value Creation (EVC)***

Sinthupundaja et al., (2020) define Environmental value as “*the betterment of the natural environment. It also refers to resolving environmental problems around global communities, such as reducing waste and pollution*”. Sustainable objective of social enterprise is to generate more value from a less amount of resources by making better use of natural resources. Dobson (1998) stated that environmental sustainability under three categories as it is a viewpoint that highlights the need of natural

resource protection for human well-being, a mindset that acknowledges the importance of preserving natural resources for both human and non-human well-being, particularly those that are irreplaceable and a viewpoint that emphasizes the preservation of nature for its own sake rather than its utility to humans. What makes social entrepreneurship unique compared to traditional businesses is that they do business with as environmental concern. Environmental value can be measured by using indicators like total energy consumes, greenhouse gas footprint, data center energy, and renewable energy (Austin & Seitanidi, 2012).

### **Theories Related to the Social Entrepreneurial Capabilities and Shared Value Creation**

#### ***The Entrepreneurial Value Creation Theory***

According to Mishra and Zachary (2015), the entrepreneurial value creation theory explains all the stages that the entrepreneur experienced from the entrepreneurial intention, identifying and exploiting the business opportunity, developing entrepreneurial skills and getting rewards. Present study adopted the concept of shared value creation from this theory.

#### ***The Effectuation Theory***

This theory provides importance to the entrepreneurial intention imagination, experience, aspirations decision-making, behavior, judgment, involvement, and action in the production of artifacts such as

organizations, economies and markets. Effectuation theory (Sarasvathy, 2001) is a useful theory to understand the social entrepreneurial capabilities in the process of value creation and it is a logic of effectuation which is more suitable for navigate entrepreneurs in an uncertain environment.

#### ***The Ecological Modernization Theory***

Ecological modernization, according to Janicke (2008), is a “*technology-based approach to environmental policy that is oriented toward innovation*” and it seeks for using resource-efficient innovation to protect or restore environmental quality (Janicke, 2020). As a formulation of the environment and the economy, this term became popular in the 1980s. Later, using environmentally friendly technologies, this innovation expands the economic sector. This theory emphasizes eco-efficient innovation, development of environmentally friendly technology through increased resource productivity (Lidskog & Elander, 2012). Ecological modernization theory is relevant to this study because the uniqueness of social enterprises is concern for the environment and introducing innovative ecofriendly concepts to the society when comparing with traditional enterprises. Therefore, this theory is related to the shared value creation specifically in the environmental aspect.

#### ***Resource based view (RBV)***

Resource Based View emphasizes

that when resources are precious, scarce, difficult to duplicate, and non-substitutable which in turn support for company's long-term success. As cited by Ferreira, Azevedo, and Ortiz (2011); despite the broad variety of resources, they can be categorized into: (1) tangible and intangible resources (Bogaert, Rosenthal, & Fiskum, 1994) (2) strategic resources (G. S. Day & Wensley, 1988) (3) human resources (Greene & Brown, 1997) (4) social resources (Greene & Brown, 1997) (6) technological resources (Greene & Brown, 1997) (7) location resources (Greene & Brown, 1997) 8) assets (Day, 1994) and (9) capabilities (Day, 1994). These strategic resources could help to develop firm capabilities and ultimately add value to customers and competitive advantage (Ferreira et al., 2011). Therefore, this study considered social entrepreneurship capabilities as a resource in a firm which supports to create its value.

### ***Impact of Social Entrepreneurial Capabilities on Shared Value Creation***

Social entrepreneur is a unique person who is always committed to create economic, social and environmental value and social entrepreneur's capabilities influence on the creation of these values. According to Bhattarai et al. (2019), social enterprises must practice continuous learning and respond to the marketplace need to achieve their social missions and desired outcomes. Maas and Grieco (2017) has done a study under the topic of *“distinguishing game changers from boastful charlatans: Which social*

*enterprises measure their impact”*, by using data from the Global Entrepreneurship Monitor's, the researcher used a global sample of 3194 social entrepreneurs for the study. This research concluded that social entrepreneurs aim to solve a variety of societal problems, little is known about their real success in delivering value in the economic, social, and environmental sectors. A vital requirement for social entrepreneurs is the creation of competencies to assess and monitor these values for both strategy formulation and external accountability. The study conducted by Prasetyo & Khiew (2016) revealed that social entrepreneur should have a fitting leadership style, knowledge-based network and productive knowledge management which are the precursors of dynamic capabilities to capture unique knowledge that can lead to a long-term competitive advantage while also promoting improvements in the society which is the actual meaning of social entrepreneurship. Singh (2016) has conducted a study to identify the social value creation process on Social Entrepreneurship in India. The study is qualitative in nature and the researcher used case study strategy to collect relevant data. The research discussed the capabilities of social entrepreneur which affect to create a social value under two dimensions as individual capabilities and entrepreneurial capabilities which conclude that possessing both sorts of capabilities, namely individual capabilities that promote social value development as well as entrepreneurial capabilities, will be a good impact on the social value

creation process. And also results of the study stated that there are three things appeared as imperative in the social value creation process. The first one is developing compound partnerships and collaborations with individuals and organizations for resource mobilization, the second one is focusing on innovation (product and process) and third one is continuous learning. Sinthupundaja et al., (2020) examined that in order to expand and survive, stakeholder management capabilities, mission-driven management and cross-sector management capabilities are much important to obtain sustainable competitive advantage and create social and economic value for themselves. Furthermore, environmental management was a critical supportive capability for achieving social and environmental values. Argatu (2020) found that social enterprise's collaborative social networks, which refers to the organization's ability to attract and integrate public and private partnerships with community actors, and innovation proactivity, which refers to the beneficiaries' attitude and the design of an innovation strategy in response to extrinsic conditions are capabilities which contribute social innovation. Moreover, according to Kwiotkowska (2022), social enterprises should possess some distinctive capabilities to make a social impact which include mission-driven management, gain support from various stakeholders, and earn income. Through analyzing the literature, it is evident that different scholars have applied some similar as well as different types of social entrepreneurial capabilities.

However, integrating all these capabilities in one model is important and also focuses on environmental management capabilities are missing. Moreover, impact of social entrepreneurial capabilities on shared value creation is not empirically tested in developing economies.

### ***Mission Driven Management Capabilities (MDMC) and Shared Value Creation***

Mission driven entrepreneur managed to achieve goals that included a societal benefit in addition to earnings for stakeholders. Social mission of the organization is to solve social problem or issue in which aware the stakeholders that the exceptional role of social enterprise in solving social issues and ultimately it contributes to create value for social enterprises (Grant and Sumanth, 2009). The clear mission has been found to aid in the maintenance of social business objectives (Flota Rosado and Figueroa, 2016), and the mission-driven management capability could aid social entrepreneurs for continuous decision-making and shared value creation (Tate & Bals, 2018; Sinthupundaja et al., 2020).

H1: Mission-driven management capabilities have positive and significant effect on shared value creation of social enterprises

### ***Stakeholder Management Capabilities (SMC) and Shared Value Creation***

As social entrepreneurs have to deal with different stakeholders in the



society to solve social problems in the society, and therefore, the capabilities they need to manage those stakeholders will be very important. According to Jones et al., (2018), stakeholder management capability is *“the company's ability to engage, collaborate, and create intimate relationships with its numerous stakeholders”*. Montgomery et al., (2012) define *“Stakeholder management is the ability to effectively communicate and engage donors, beneficiaries, customers and the community which they can support in overcoming various types of barriers to achieving their goals”*. Moreover, stakeholder management supports social enterprises in accessing needed resource as well as in fulfilling legal requirements (Desa and Basu 2013; Miller and Wesley, 2010). Stakeholder management capability assists social entrepreneurs to satisfy its key stakeholders while creating shared value (Sinthupundaja et al., 2020).

H2: Stakeholder management capabilities have positive and significant effect on shared value creation of social enterprises.

***Cross-Sector Collaboration Management Capabilities (CSCMC) and Shared Value Creation***

Cross-sector partnerships can be defined as *“long-term interactions between institutions from at least two sectors (business, government, and/or civil society) with the goal of tackling an environmental or social problem”* (Clarke & Crane, 2018). The Social enterprises require partnerships or

collaborations to achieve their objectives. Sinthupundaja et al., (2020) expressed that *“Cross-sector collaboration management integrates the social enterprise to peripheral stakeholders such as local communities and non-governmental organizations to assists the entrepreneur in taking a leadership role in resolving social problems in local communities”*. The capabilities of social entrepreneurs are very important in establishing collaborations with different sectors, because there are some differences between these interrelated sectors and they should not be hindrance but a help to the goals and objectives of the social entrepreneur. Cross-sector collaboration capabilities aids in bridging the gap between the corporate, public, and non-profit sectors, as well as reconciling competing organizational goals, and processes to produce positive outcomes of social entrepreneurship (Pache & Santos, 2013) and shared value creation (Sinthupundaja et al., 2020).

H3: Cross-sector collaboration management capabilities have positive and significant impact on shared value creation of social enterprises.

***Environmental Management Capabilities (EMC) and Shared Value Creation***

According to Hart and Dowell (2011) environmental management capabilities of an entrepreneur can be defined as *“the ability of an entrepreneur to carry out business activities while minimizing the*

*damage to the natural environment*". Because social entrepreneurs implement their business activities according to 3Ps including Profit, People and Planet in the triple bottom line and they are interested in doing their businesses considering the environment which is a part of it. Social entrepreneurs may also have profit motivations in addition to achieve social mission which ensure that conserve earth's resources for the future generation while acknowledging the compliance. Therefore, prevalence of capabilities related to environmental management for an entrepreneur is essential to achieve expected outcomes. Sinthupundaja et al. (2020) stated that environmental management capabilities enhance social entrepreneurship by integrating the social enterprise to environmental assets and allowing the entrepreneur to assume a leading role in addressing social and environmental issues and creating shared value.

H4: Environmental management capabilities have positive and significant effect on shared value creation of social enterprises.

## **Research Methodology**

### ***Sample and Data Collection***

The study used deductive approach with quantitative method since researcher collect numerical data and tests hypotheses using a theory that had been constructed. The theoretical population of this study is social enterprises established in Sri Lanka. A study conducted by British Council (2018) together with Lanka Social

Ventures and Social Enterprise U.K. with the support from United Nations ESCAP and found that there are approximately 6000 social enterprises in Sri Lanka. Due to the difficulties involve with studying entire population, researcher has selected only western province of Sri Lanka to select the sample since the capital city is belongs to this province and majority of social enterprises are established in the Western province than other provinces, which is estimated at around 1000 social enterprises located in Western Province (British Council 2018). Therefore, all the social enterprises which are established in the western province are known as the target population. The registered list of social enterprises of Lanka social ventures in the year 2022 is selected as a sampling frame which is one of the largest social enterprises that provides incubator/accelerator programs, funding, training, research and consulting for social enterprises in Sri Lanka. Considering the database, 100 samples were selected using simple random sampling techniques. Since the present study applied regression analysis, generally 100 samples are adequate for most research situations (Hair et al., 2018) and also the sample represents 10% of the target population. Moreover, the sample-to-variable ratio suggests that ratios of 15:1 or 20:1 are preferred for multiple regressions and similar analyses (Hair et al., 2018). Accordingly, study employed four independent variables and the required sample size based on sample-to- variable ratio is 80 and therefore sample size was higher than the desired ratio. Structured

questionnaire was used as a research instrument to collect primary data. Survey questionnaire was structured into three sections namely, the respondent's profile, the business's profile, and the statements to test study variables.

### ***Measurement of Variables***

All the study variables are measured based on already existing previously established and empirically tested scale which was extracted from the literature. Accordingly, study used 4 items to measure MDMC adopted from Sinthupundaja et al. (2020), 4 items to measure SMC adopted from Jones et al., (2018) and Sinthupundaja et al. (2020), 4 items to measure CSCC adopted from Clarke & Crane (2018) and Sinthupundaja et al. (2020), 4 items to measure EMC adopted from Sinthupundaja et al. (2020), and finally, 6 items to measure SVC adopted from the study of Sinthupundaja et al. (2020). All items are measured using a 5-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”).

### ***Reliability and Validity of the Constructs***

To ensure the reliability of the data, Cronbach's alpha values were calculated for each variable which indicates that Cronbach's alpha values are greater than 0.7 as indicated in Table 1 and thus internal consistency of the data which ensure the reliability of constructs. In order to ensure the Content validity, we used validated survey instruments to fit the research and preliminary

questionnaire was pre-tested by an expert in the social entrepreneurship field and minor modifications were done prior to conduct the survey. Further, pilot study was also conducted with 10 social entrepreneurs in the sample to test the accuracy and clarity of the questionnaire. Convergent and Discriminant validity were statistically tested using Principal Component Analysis. The Kaiser-Meyer-Olkin (KMO) statistic should be greater than 0.60 and the Bartlett's test should be significant to conduct the factor analysis. The Bartlett's test evaluates whether or not our correlation matrix is an identity matrix (1 on the diagonal & 0 on the off-diagonal). Here, it indicates that our correlation matrix (of items) is not an identity matrix and the off-diagonal values of our correlation matrix are NOT zeros, therefore the matrix is NOT an identity matrix. Hence, as illustrated in Table 1, the KMO value is .0872 and Bartlett's test is significant .000(e.g.  $p < .05$ ). The amount of variance each factor accounts for and the final amount of variance accounted by all factors with eigenvalues above 1.0 with the 73.286% of the variance in our items was explained by the 3 extracted components.

Convergent validity is examined and assessed using the Average Variance Extracted (AVE) ratings. As shown in the Table 2, AVE values of MSMC, SMC, CSCMC, EMC, and SVC are 0.620, 0.648, 0.616, 0.644, and 0.719 respectively. Accordingly, the convergent validity of all the constructs are ensured since the AVE scores are greater than 0.5 (Huang et

al., 2013). Further, discriminant validity is tested using the cross-loadings, and Fornell-Larcker criterion. In the Fornell-Larcker criterion, the square root of AVE values indicated in the diagonal should be higher than the correlations among constructs to assure the model's discriminant validity (off-diagonal). In this study, the AVE values are well above the inter-correlations between constructs. Therefore, it shows strong discriminant validity.

### **Data Analysis**

In a regression model that expresses a linear correlation, collinearity is the correlation between predictor variables. When the independent variables in a linear regression are correlated, it cannot predict the value of the dependent variable. The measurements used to test collinearity are the Variance Inflation Factor and tolerance. There are no multi-collinearity difficulties in the variables if the VIF value is less than 10 and the Tolerance value is greater than 0.1 (Hair et al., 2010). Accordingly, all the independent variables have tolerance values greater than 0.1 and VIF values are less than 10 as demonstrated in Table 3. As a result, the findings indicate that there is no multicollinearity among independent variables. Descriptive statistics were utilized to explain the characteristics of the data set used in the study and the effect of independent variables on the dependent variable were determined by using regression analysis. Testing of the proposed hypotheses were analyzed using multiple regression

analysis.

### **Findings**

#### ***Profile of Respondents***

Based on the demographic profile of the respondents, most of the respondents are male and it represents as 79% from the sample, where as 21% is female. Among the age groups, most of the respondents' age is 31-40 years and it is represented as 36%. Around 37% of the respondents have passed G.C.E. Advanced Level and 29% of the respondents have graduate qualification and 16% have postgraduate qualifications. Social enterprises in the sample are belongs to the industries of food products, training and consultancy, handicrafts, clothing, and health & education. Among those industries majority represents health and education which account for 27%, whereas handicraft, training & consultancy, and clothing account for 24%, 14% and 13% respectively. Target beneficiaries of these social enterprises are SMEs, people with disabilities, unemployed people, students, women, and rural society.

Considering the ownership of the business, 74% from the sample is sole proprietorship, whereas 16% are partnerships, 7% are family business, and only 3% are private companies. Further, 61% of social enterprises are 5-10 years of age and 30% are less than five years and only 9% are more than 10 years of age. Considering the funding source of initial capital, majority of the social enterprises is used Savings as the sources of funding which account for 29%. And

28% were used family & friends to access fund, and only 20% of the respondents used donors and government grants as sources of funding. Moreover, among the factors motivated to start social enterprises, most of the respondents are motivated by the factor “humanity” and it is shown as 36%. A significant number of respondents are motivated by education and experience, identifying a social business opportunity and family background which represents as 25%, 19% and 18% respectively.

### ***Descriptive Statistics***

According to the results of descriptive statistics given in Table 4, mean values of independent variables such as MDMC, SMC, CSCMC, and EMC represent 3.78, 3.85, 3.89, and 3.81 respectively. The dependent variable of SVC indicates the mean value of 3.94 and since all the values are very closer to 4 implies that most of the respondents have the satisfied level related to social entrepreneurship capabilities and shared value creation.

### ***Regression Analysis***

Multiple regression analysis was used to examine the effect of independent variables on dependent variable. Model summary of the analysis is illustrated in Table 5.

According to the results of the table 5, R denotes the correlation between independent and dependent variable. Thus,  $R = 0.894$  indicates that there is a high correlation between social entrepreneurship capabilities and shared value creation of social

enterprises.  $R^2$  indicates the proportion of variance in shared value creation that can be explained by three predictors of the model and  $R^2$  value of 0.799 indicates that 79.9% variation of value creation of social enterprises is explained by social entrepreneurial capabilities. Further, adjusted  $R^2$  value is 0.701 and its closer to  $R^2$  value indicates that there is very small difference between both values. Standard error of estimate is 0.42470 denotes how the data deviated from the fitted regression line.

ANOVA (Analysis of Variance) is represented in table 6 and it presents the overall significance of the model. According to the results, it can be stated that the model is significant since the F value of 94.584 is significant ( $p=0.000$ ).

The result of regression analysis in Table 7 shows that this model does a great job in predicting shared value creation since all the Beta coefficients are statistically significant. The unstandardized coefficients B tell how many units of shared value creation increases for a single unit increase in each predictor (social entrepreneurship capabilities). Accordingly, it can be suggested that when any one of the variables among mission-driven management capabilities, stakeholder management capabilities, cross-sector collaboration capabilities and environmental management capabilities increased by one unit, while others remains as constant, shared value creation is increased by 0.320, 0.215, 0.288 and 0.156 times respectively. The standardized

coefficient of Beta is measured in units of standard deviation. A beta value of 0.346 for mission –driven management capability indicates that a change of one standard deviation in the independent variable results in a 0.346 standard deviations increase in the dependent variable. Outcome of the multiple regression analysis conclude that mission driven management capabilities has the highest effect on shared value creation of social enterprises where environmental management capabilities has the lowest effect on value creation among the social entrepreneurial capabilities. Thus, H1, H2, H3 and H4 were supported.

### **Discussion and Conclusion**

Present study investigates the effect of social entrepreneurial capabilities on shared value creation of social enterprises in Western province of Sri Lanka. Further, this study investigates the influence of each social entrepreneurial capabilities such as mission driven management capabilities, stakeholder management capabilities, cross-sector collaboration capabilities, and environmental management capabilities on shared value creation. Results prove that there is a positive significant effect of social entrepreneurial capabilities on shared value creation of social enterprises. According to literature review, above findings are correspond with the findings of Sinthupundaja et al. (2020). Also the results related to the cross sector collaboration capabilities of the study are agreed with the findings of the Singh (2016) and Argatu (2020). Moreover,

Kwiotkowska (2022) confirmed that capability to provide mission-oriented management, the capability to gain support and engagement from various stakeholders, and generate income enhance economic and social value creation. According to the findings, mission driven management capabilities is the main variable influencing on shared value creation of social enterprises.

### **Implications of the Study**

The findings of this study have contributed to contemporary literature by providing empirical data on the effect of social entrepreneurial capabilities on shared value creation of social enterprises in Sri Lanka. The importance of social entrepreneurship, which is comprised of capabilities that enable value creation, was highlighted in this study. This study contributed to the literature by combining a set of social entrepreneurial capabilities with shared value creation in social, environmental, and economic aspects while also analyzing the effect. This research contributes to a broader understanding of social entrepreneurship capabilities such as mission driven management capabilities, stakeholder management capabilities, cross sector collaboration capabilities and environmental management capabilities, which are most important for social enterprises towards creating shared values and introduce social innovations particularly in an emerging economy like Sri Lanka which has been faced so many social issues. Further, this study provides insights for improved

decision-making when it comes to investing in the formation of social enterprises by potential social entrepreneurs. On the economic side, the findings of this study enable better judgments to be made about government investment in social entrepreneurship promotion and development. Understanding the characteristics and profile of social entrepreneurs enables them to direct their resources to areas where they may produce better results.

### **Limitations and Future Research**

The research is investigated the effect of social entrepreneurial capabilities on value creation of social enterprises in Western Province of Sri Lanka by selecting 100 social enterprises. Due to the time constrains, the sample was limited only to Western province of Sri Lanka. It is always better if future researchers can expand the research sample in order to cover the island which will be easier and much reliable to generalize the research findings. Results of this study were not represents the all social enterprises in Sri Lanka. Future researchers can conduct their studies by taking a sample from every province in Sri Lanka to increase the generalization. If data was collected from all over the country, with varied demographic, geographic, psychographic, and behavioral characteristics, the accuracy may be improved. Moreover, future research would also be conducted through employing mediating and moderating

variables to these study variables. Social entrepreneurial capability measures could be utilized in future research studies to evaluate how social businesses and other social organizations develop social entrepreneurial capabilities and social functioning. Scholars can utilize the social entrepreneurial capability measures in various social enterprise surveys, such as case study research, interviews, or focus groups. Using alternative methodological strategies to measure social entrepreneurial capabilities with this instrument could lead to deeper or different insights into how social enterprises try to address social needs.

## Figures and Tables

**Table 1: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.872
Bartlett's Test of Sphericity	Approx. Chi-Square	2504.618
	df	231
	Sig.	.000

Source: Survey Data (2022)

**Table 2: Reliability and Validity Statistics**

Variable	Cronbach's Alpha	Number of items	AVE
Mission-driven Management Capabilities	0.884	4	0.620
Stakeholder Management Capabilities	0.891	4	0.648
Cross-sector Collaboration Capabilities	0.856	4	0.616
Environment Management Capabilities	0.893	4	0.644
Shared Value Creation	0.741	6	0.719

Source: Survey Data (2022)

**Table 3: Collinearity Statistics**

Variable	Tolerance	VIF
Mission-driven Management Capabilities	.419	2.387
Stakeholder Management Capabilities	.223	4.478
Cross-sector Collaboration Management Capabilities	.166	6.014
Environmental Management Capabilities	.367	2.725

Source: Survey Data (2022)

**Table 4: Descriptive Statistics**

Variable	N	Mean	Std. Deviation
Mission-driven Management Capabilities	100	3.7800	.9670
Stakeholder Management Capabilities	100	3.8500	.93271
Cross-sector Collaboration Management Capabilities	100	3.8850	.88792
Environmental Management Capabilities	100	3.8075	.95204
Shared Value Creation	100	3.9367	.92865

Source: Survey Data (2022)

**Table 5: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
1	.894 <sup>a</sup>	.799	.791	.42470	1.814	94.584	.000 <sup>b</sup>

a. Predictors: (Constant), MDMC, SMC, CSCMC, and EMC

b. Dependent variable: Shared Value Creation

Source: Survey Data (2022)



**Table 6: ANOVA of the Model**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	68.241	4	17.060	94.584	.000 <sup>b</sup>
Residual	17.135	95	.180		
Total	85.377	99			

a. Dependent Variable: VC

b. Predictors: (Constant), EMC, MDMC, SMC, CSCMC

Source: Survey Data (2022)

**Table 7: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)		.183	.199		.922	.359
Mission -Driven Management		.320	.066	.346	4.867	.000
Stakeholder Management		.215	.097	.216	2.224	.029
Cross-sector Collaboration		.288	.118	.275	2.443	.016
Environmental Management		.156	.074	.160	2.112	.037

a. Dependent Variable: SVC Source: Survey Data (2022)

## References

- Abdelgawad, S. G., Zahra, S. A., Svejenova, S., & Sapienza, H. (2013). Strategic leadership and entrepreneurial capability for game change. *Journal of Leadership Organizational Studies*, 20(4), 394-407.
- Alijani, S. (2013). Entrepreneurial Capability and Leadership. In E. G. Carayannis (Ed.), *Encyclopedia of Creativity, Invention, Innovation and Entrepreneurship* (pp. 603-614). New York, NY: Springer New York.
- Alvord, S. H., Brown, L. D., & Letts, C. W. (2004). Social Entrepreneurship and Societal Transformation: An Exploratory Study. *The Journal of Applied Behavioral Science*, 40(3), 260-282.
- Argatu, R. (2020). Innovation capability assessment tools in social enterprises. Paper presented at the Proceedings of the International Conference on Business Excellence.
- Auerswald, P. (2009). *Creating Social Value*. Stanford Social Innovation Review.
- Austin, J. E., & Seitanidi, M. M. (2012). Collaborative value

- creation: A review of partnering between nonprofits and businesses: Part I. Value creation spectrum and collaboration stages. *Nonprofit voluntary sector quarterly*, 41(5), 726-758.
- Barnabas, N., Ravikumar, M.V. & Narasimhan, R. (2020). Social entrepreneur alliance: Collaborating to co-create shared value Methodological issues in social entrepreneurship knowledge and practice, Springer, Singapore, 159-179.
- Bhattarai, C., Kwong, C. K., & Tasavori, M. (2019). Market orientation, market disruptiveness capability and social enterprise performance: An empirical study from the United Kingdom. *Journal of Business Research*, 96, 47-60.
- British Council. (2018). The State of Social Enterprises in Sri Lanka. Retrieved from file:///C:/Users/Mafasiya%20Fair oz/Documents/Mafasiya\_HP\_Pro book\_All\_Files/Social%20Entrepreneurship%20Lectures/State-of-social-enterprise-in-sri-lanka.pdf.
- Bodi, D.C. (2023). Challenges And Opportunities of Non-Governmental Organizations. *Bulletin of the Transilvania University of Braşov Series VII: Social Sciences, Law* 16(65) No. 2 – 202, 223-229.
- Bogaert, Y. E., Rosenthal, R. E., & Fiskum, G. (1994). Postschismic inhibition of cerebral cortex pyruvate dehydrogenase. *Free Radical Biology Medicine*, 16(6), 811-820.
- Clarke, A., & Crane, A. (2018). Cross-Sector Partnerships for Systemic Change: Systematized Literature Review and Agenda for Further Research. *Journal of Business Ethics*, 150(2), 303-313. doi:10.1007/s10551-018-3922-2
- Crotty, M. (1998). Meaning and perspective in the research process. In: Sage Publications.
- Day, G. S. (1994). The capabilities of market-driven organizations. *Journal of Marketing*, 58(4), 37-52.
- Day, G. S., & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive superiority. *Journal of Marketing*, 52(2), 1-20.
- Day, S. W. (2016). Resource Based View of Social Entrepreneurship: Putting the Pieces Together. *Journal of Strategic Innovation and Sustainability*, 11(2), 59-69.
- Dees, J. G. (1998). The meaning of social entrepreneurship. In: Kauffman Center for Entrepreneurial Leadership.
- Dobson, A. (1998). Justice and the environment: Conceptions of environmental sustainability and theories of distributive justice: Clarendon Press.
- Ebrashi, R. I. (2013). Social entrepreneurship theory and sustainable social impact. *Social Responsibility Journal*, 9(2), 188-209.
- Evans, S., Fernando, L., & Yang, M. (2017). Sustainable value creation—from concept towards

- implementation. In *Sustainable manufacturing* (pp. 203-220): Springer, Cham.
- Fairoz, F. M., Gunawardana, T. S. L. W., Sriyani, G. T. W., Indrani, M. W., & Gunarathne, K. G. P. V. Circular Entrepreneurship for Shared Value Creation: Case Study from Southern Province Sri Lanka. In *RESEARCH SYMPOSIUM*, 8-13.
- Ferreira, J. J., Azevedo, S. G., & Ortiz, R. F. (2011). Contribution of resource-based view and entrepreneurial orientation on small firm growth. *Cuadernos de Gestión*, 11(1), 95-116.
- Flota Rosado, J. A., F., O., & E., L. (2016). The Social Rewards for Mission-Driven Business: An Integrative Approach. *Global Journal of Business Research*, 10(4), 55-65.
- Fornell, C. and David, F. L. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of marketing research*, 39-50.
- Gandhi, T., & Raina, R. (2018). Social entrepreneurship: the need, relevance, facets and constraints. *Journal of Global Entrepreneurship Research*, 8(9). doi:<https://doi.org/10.1186/s40497-018-0094-6>
- Greene, P. G., & Brown, T. E. (1997). Resource needs and the dynamic capitalism typology. *Journal of Business Venturing*, 3(12), 161-173.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2018). *Multivariate Data Analysis* (8th ed.). United Kingdom: Cengage Learning.
- Hart, S. L., & Dowell, G. (2011). Invited editorial: A natural-resource-based view of the firm: Fifteen years after. *Journal of Management Information Systems*, 37(5), 1464-1479.
- He, X. G., & Lin, G. Y. (2009). Venturing Business Diversification: An Empirical Examination Based on Entrepreneurial Competence. *Science & Technology Progress and Policy*, 26(10), 75-80.
- Holmstrom, R. (2018). Getting social enterprise recognised in Sri Lanka. Retrieved from <https://www.pioneerspost.com/news-views/20180703/getting-social-enterprise-recognised-sri-lanka>
- Janicke, M. (2008). Ecological modernisation: new perspectives. *Journal of Cleaner Production*, 16(5), 557-565.
- Janicke, M. (2020). Ecological Modernization—a Paradise of Feasibility but no General Solution. In *The Ecological Modernization Capacity of Japan and Germany* (pp. 13-23): Springer.
- Jayasinghe R, Liyanage N., & Baillie, C. (2020). Sustainable waste management through eco-entrepreneurship: an empirical study of waste upcycling eco-enterprises in Sri Lanka. *Journal*

- of Material Cycles and Waste Management, 23(5):1–9.
- Jones, T. M., Harrison, J. S., & Felps, W. (2018). How applying instrumental stakeholder theory can provide sustainable competitive advantage. *Academy of Management Review*, 43(3), 371-391.
- Kothari, C. R. (2004). *Research methodology: Methods and techniques: New Age International*.
- Kwiotkowska, A. (2022). *Organizational Capabilities and Social Entrepreneurship: A Fuzzy-set Approach*. 272-285, XXV(1), 272-285.
- Lidskog, R., & Elander, I. (2012). Ecological modernization in practice? The case of sustainable development in Sweden. *Journal of Environmental Policy Planning*, 14(4), 411-427.
- Maas, K., & Grieco, C. (2017). Distinguishing game changers from boastful charlatans: Which social enterprises measure their impact? *Journal of Social Entrepreneurship*, 8(1), 110-128.
- Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of world business*, 41(1), 36-44.
- Malhotra, N. K. (2010). *Marketing Research: An Applied Orientation*, PrenticeHall.
- Mishra, C. S., & Zachary, R. K. (2015). *The Theory of Entrepreneurship*. *Entrepreneurship Research Journal*, 5(2), 251-268.
- Nicholls, A. (2008). *Social entrepreneurship: New models of sustainable social change*: OUP Oxford.
- Ormiston, J., & Seymour, R. (2011). Understanding Value Creation in Social Entrepreneurship: The Importance of Aligning Mission, Strategy and Impact Measurement. *Journal of Social Entrepreneurship*, 2(2), 125-150. doi:10.1080/19420676.2011.606331
- Oyeku, O. M., O., O., Ajoke, K. F., Akinfolarin, A. F., Oyekola, T. M., & N., E. G. (2020). ENTREPRENEURIAL CAPABILITY AND ENTREPRENEURIAL SUCCESS. *European Journal of Business and Innovation Research*, 8(5), 55-79.
- Pache, A. C., & Santos, F. M. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of management journal*, 56(4), 972-1001.
- Porter, M.E., & Kramer, M.R.(2011).The big idea: Creating shared value - How to reinvent capitalism and unleash a wave of innovation and growth. *Harvard Business Review*, 89 (1), 62-77.
- Prasetyo , A. H., & Khiew, K. F. (2016). The Dynamic Capabilities of Social Enterprise: Explicating the Role of Antecedents and

- Unobserved Linkage. *European Journal of Business and Management*, 8(18), 151-160.
- Rey-Marti, A., Ribeiro-Soriano, D., & Palacios-Marques, D. (2016). A bibliometric analysis of social entrepreneurship. *Journal of Business Research*, 69(5), 1651-1655.
- Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-263.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*: Pearson Education.
- Schenkel, M., Caniels, M. C., Krikke, H., & van der Laan, E. (2015). Understanding value creation in closed loop supply chains—Past findings and future directions. *Journal of Manufacturing Systems*, 37, 729-745.
- Sekaran, U., & Bougie, R. (2013). *Edisi 6. Research Methods for Business*.
- Shin, C. (2018). How social entrepreneurs affect performance of social enterprises in Korea: The mediating effect of innovativeness. *Sustainability*, 10(8), 2643.
- Singh, A. (2016). *The Process of Social Value Creation: A Multiple Case Study on Social Entrepreneurship in India*: New Delhi Springer India.
- Sinthupundaja, J., Kohda, Y., & Chiadamrong, N. (2020). Examining capabilities of social entrepreneurship for shared value creation. *Journal of Social Entrepreneurship*, 11(1), 1-22.
- Steidle, S. (2021). *Entrepreneurial Value Creation; Processes, Tools, Methods and Theories*. Retrieved from <https://www.linkedin.com/pulse/entrepreneurial-value-creation-processes-tools-steidle-ph-d>
- Tanvi, G., & R., R. (2018). Social entrepreneurship: the need, relevance, facets and constraints. *Journal of Global Entrepreneurship Research*, 8(9), 1-13.
- Tate, W. L., & Bals, L. (2018). Achieving shared triple bottom line (TBL) value creation: toward a social resource-based view (SRBV) of the firm. *Journal of Business Ethics*, 152(3), 803-826.
- Weerawardena, J., & Mort, G. S. (2006). Investigating social entrepreneurship: A multidimensional model. *Journal of world business*, 41(1), 21-35.
- Zhang, W., Deng, H., & Parker, B. R. (2010). Zhang, W., et al. (2010). Entrepreneurial talent and economic development in China. *Socio Economic Planning Sciences*, 44(4), 178-192.