

Chapter 34

Social Entrepreneurship: From Accounting Analysis to Decision Value

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ABSTRACT

This chapter focuses on the social entrepreneurship, in general, and the social entities, in particular, to promote a detailed accounting analysis for understanding the decision value of the investment, due to the economic impact generated by these entities on the economy. The methodology presents a literature review that will outline the contribution of accounting for Non-For-Profit entities (NFP). Within the main results of the chapter, the demonstrations of the potential benefits of accounting for NFP raise the awareness of the social answers. In addition, the higher level of competition between the private versus public sector and NFP originate important economic distortions that lead to inequitable results. Then, the best assessment, within market dynamics, makes more pressure to the appraisal of the investment decision. Finally, it is necessary to consider that the integration of accounting for NFs implies that society must use entrepreneurship as a resource to regenerate the economy itself.

INTRODUCTION

The objective of the social entrepreneurship is to add a new dimension to the role of Accounting analysis for non-for-profit sector entities (NFP), because it emphasis a new generation of social policies promoted by the Portuguese Government, in the last fifteen years, that it has invested extensively on the Network of Social Services and

Equipments. As Drucker (1984, pp. 62) argues: *business turns a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.* On the other hand, Balabanis et al. (1998, pp. 25) defend that in *the modern commercial area, companies and their managers are subjected to well publicised pressure to play an increasingly active role in [the welfare*

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of] society. This fundamental problem centred in the field of social entrepreneurship provides the voluntary nature that allows the society and NFP to change their focus of the economic value.

This is particularly problematical as Gallo (2014, pp. 1) argues because *acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one*. This question leads to the relevance of the social entities where the success strategy model allows defining the decision value of each social answer, such as Ageing Residential Structures and Children in Risk. Indeed, the social entity has become central and continues to raise attention differentiated of the third economic sector (Hall & Arvidson, 2013).

In the Regulation (EU) n° 1291/2013 of the European Parliament and of the Council of 11 December 2013 (EU, 2013, pp. 110) was established the Horizon 2020 – the Framework Programme for Research and Innovation 2014-2020 ('Horizon 2020'). This regulation, in the article 5, defines that *the general objective of Horizon 2020 is to contribute to building a society and an economy based on knowledge and innovation across the Union, which shall be pursued through three mutually reinforcing priorities dedicated to: Excellent science; Industrial leadership; Societal challenges*.

The societal challenges reflects several policy priorities, such as: health, demographic change and well-being; food security, sustainable agriculture and forestry, marine, maritime and inland water research, and the bioeconomy; secure, clean and efficient energy; smart, green and integrated transport; climate action, environment, resource efficiency and raw materials; Europe in a changing world - inclusive, innovative and reflective societies; secure societies - protecting freedom and security of Europe and its citizens (EU, 2013). These are several actual challenges, but this chapter only focused on the challenge on Europe in a changing world - inclusive, innovative and reflective societies.

To start to develop the appropriate measure for this challenge, Martin & Osberg (2007) defend that entrepreneurship is based on three pillars: identifying injustices within a stable equilibrium; identifying opportunities created by the status quo that encourages the creation of social value to the business address; and identifying a new state, which resolves, in whole or in part, the effects of an unjust balance. Indeed, any entity could choose a specific type of entrepreneurship, including corporate entrepreneurship that looks for profit or social entrepreneurship that focuses on the non-for-profit (Alvord et al., 2004).

Methodologically, this research relied on a two-track approach. The first takes the form of an editorial review and argument, based on the contribution of accounting analysis for NFP and the literature review of the entrepreneurship topic. The second takes the form of an empirical research supported on programming of investment projects. Thus, this chapter focuses on the social entrepreneurship, in general, and the social entities, in particular, to promote a detailed accounting analysis for understanding the decision value of the investment, due to the economic impact generated by these entities on the economy.

This chapter proceeds as follows. The authors begin with the theoretical background that contextualizes the entrepreneurship subject in the literature, with particular emphasis on the social entrepreneurship. Then, the authors detail the accounting analysis on the social entrepreneurship, with particular attention to the new accounting information system that complies with the accounting regulation for the NFP. Subsequently, the authors analyze the decision value of the investment on the social try to simplify the sentences, keep the natural order, beginning with the theoretical background that contextualizes the entrepreneurship subject in the literature entrepreneurship, using the simplest methods to determine whether or not it is possible the investment that will create value on the sustainable way for the founders,

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