Voluntas (2020) 31:614–626
https://doi.org/10.1007/s11266-020-00215-8

ISTR
INTERNATIONAL SOCIETY FOR THIRD-SECTOR RESEARCH

ORIGINAL PAPER

Exploring Accountability in Social Enterprise: Priorities, Practicalities, and Legitimacy

Astrid Bradford[1] · Belinda Luke[2] · Craig Furneaux[1]

Published online: 23 March 2020

Abstract This paper draws upon accountability and legitimacy theories to explore *for what* social enterprises are accountable, *how* they communicate accountability, and *to what extent* they publicly communicate accountability. Case study methodology was employed, examining four work-integrated social enterprises in Australia. Data collection involved interviews with managers of each social enterprise, and a review of various secondary data including social enterprise websites and internal and external reports. Findings reveal a temporal dimension of accountability, as social enterprises acknowledged their dual social and financial accountability, but prioritised financial over social performance. Communication of social performance was limited, with publicly available reports partial and selective in nature. Communication of financial performance was even more limited, reporting typically directed to internal stakeholders. Implications include the need for social enterprises to communicate social and financial performance more broadly, in order to advance their legitimacy from moral (based on intentions) to consequential (based on achievements).

Keywords Accountability · Social enterprises · Reporting · Legitimacy · Australia

Introduction

Social enterprises have the potential for providing significant benefits to society due to their dual social and financial objectives. Often positioned as solutions to complex social problems, there are many examples of how social enterprises may create benefits for society. Microfinance organisations have the ability to reduce poverty as they increase access to financial services (Battilana and Lee 2014), sports clubs provide social inclusion and promote health (Lyon and Sepulveda 2009), while some organisations provide job opportunities for disadvantaged people who may otherwise be unemployed or socially disengaged. The potential value of these benefits is the reason social enterprises have received increased attention, as they aim to address long-standing social challenges and needs through a financially sustainable business model.

Given the hybrid nature of social enterprises, this paper explores for what social enterprises are accountable and how they communicate accountability for their social and financial performance in an Australian context. Examination of these issues facilitates consideration of to what extent do social enterprises publicly communicate accountability? Social enterprises have been compared in international contexts (Kerlin 2006, 2010), and reporting practices have been explored in regions (Nicholls 2009) where specific legal forms and reporting requirements are established for organisations addressing dual social and financial objectives (e.g. annual financial statements to regulator, which are subsequently made publicly available). In contrast, Australia does not have specific legal

✉ Belinda Luke
b.luke@qut.edu.au

Astrid Bradford
Astrid_gi@gmail.com

Craig Furneaux
c.furneaux@qut.edu.au

1 Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane, Australia

2 School of Accountancy, Queensland University of Technology, Brisbane, Australia

forms for social enterprises and consequently their reporting affords considerable flexibility. In practice, social enterprises in Australia may be established through a range of legal forms (Barraket et al. 2010), and those classified as small and medium have limited reporting requirements. However, the absence of mandatory public-reporting requirements for small- and medium-sized social enterprises may adversely impact on them, as formal and standardised communication of performance is an important way to demonstrate accountability and establish legitimacy (Bovens 2010; Connolly and Kelly 2011; Ryan et al. 2002).

Accountability is important for organisations in the public, private, and third sectors, and there is a distinct body of literature that focuses on exploring accountability in each of these contexts. For organisations with a social mission, most of this literature is found in the context of non-profit organisations (Christensen and Ebrahim 2006), including NGOs (Ebrahim 2003a; Gray et al. 2006; Unerman and O'Dwyer 2006) and charities (Dhanani and Connolly 2012). However, given the limited attention to how social enterprises account for both social and financial value (Doherty et al. 2014), this research explores *for what* social enterprises perceive they are accountable, *how* social enterprises communicate accountability, and *to what extent* they publicly communicate accountability. In doing so, this study draws on non-profit accountability literature and focuses on four work-integrated social enterprises (WISEs) in Queensland, Australia.

The Australian context is important for several reasons. Social enterprises have an important economic impact on the Australian economy, constituting approximately 2–3% of Australia's GDP (Barraket et al. 2010). In addition, they create diverse and valuable social benefits for society (Barraket et al. 2010). In the 5 years leading up to 2010, the number of social enterprises grew by 37% with estimated 20,000 social enterprises in Australia, operating in local and international markets (Barraket et al. 2010; Barraket et al. 2016). Hence, social enterprises in Australia are a large and growing component of the third sector. However, detail on the social enterprise sector in Australia is extremely limited (Barraket et al. 2016), and even less is understood about specific types of social enterprise within the sector, such as WISE. Recognised as a valuable pathway for creating meaningful employment, and facilitating social and economic inclusion (Barraket et al. 2019; Spear 2016), the prevalence and promotion of WISE in Australia is increasing (Barraket et al. 2019). However, with growth come expectations of accountability to better understand and appreciate the value of this subsector. The following sections of this paper examine social enterprises' hybrid nature, accountability, and legitimacy implications. The research method is then outlined, followed by findings, discussion, and conclusions regarding Australian WISEs' accountability priorities, practicalities, and the nature of their legitimacy.

Social Enterprises as Hybrid Organisations

Social enterprises are businesses that exist for a social purpose and operate in commercial markets to financially support their activities (Ebrahim et al. 2014). Therefore, social enterprises participate in the market economy but pursue social returns as their primary goal (Austin et al. 2006). Despite variations in the definition of social enterprise in the literature (Cornforth 2014), the concepts of a social mission and commercial business operations remain central, reflecting social enterprises' hybridity (Battilana and Lee 2014; Pache and Santos 2013). Thus, social enterprises not only face the challenges of for-profit enterprises such as finances, customers, suppliers, and entry barriers, but also the challenges associated with achieving their social mission (Austin et al. 2006).

Accountability of Social Enterprises and Legitimacy Implications

The concept of accountability has been defined in various ways in the literature (Bovens 2010) and generally implies an obligation to act in a manner consistent with accepted standards of behaviour (Grant and Keohane 2005). Messner (2009, p. 920) defines accountability as "to provide reasons for one's behaviour, to explain and justify what one did or did not do". This account helps to prevent conflicts arising from differences between expectations and actions (Messner 2009). Being accountable implies some responsibility to disclose actions and behaviours to others, consistent with the notion of accountability as a relational concept (Ebrahim 2003b, 2005). Thus, to have that responsibility, there must be an actor who has authority and a particular interest in those disclosures.

In an Australian context, social enterprises are considered as organisations established for a social (public or community benefit) purpose, which trade to support their mission (Barraket et al. 2010). However, the lack of public-reporting requirements results in discretion and variation regarding how social enterprises communicate accountability for their social and financial performance. Hence, there is a disconnect between social enterprises being established for public benefit purposes, but not necessarily reporting to the public in relation to their operations and achievements. Thus, it is important to understand for what social enterprises perceive they are accountable, and how they communicate that accountability.

Carman (2010) notes the challenges of appropriate reporting as a form of accountability, and Lindblom (1994) highlights the notion of relevant publics in terms of who organisations report to. Individual relationships with different stakeholder groups influence how management balances their multiple accountabilities (O'Dwyer and Unerman 2007), and the means through which they are communicated. However, without clear public reporting on social and financial performance, social enterprises are relying on taken-for-granted levels of trust, relying on moral legitimacy based on "good" intentions (Nicholls 2009, 2010). Yet, legitimacy in this form can lead to reduced expectations of public accountability, and as a consequence subperformance where performance reporting is not required (Jacobs 2006; Nicholls 2009). Thus, examination of how social enterprises communicate accountability to establish legitimacy is important (Lall 2019), yet currently largely unexplored.

Legitimacy is broadly defined as "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate" (Suchman 1995, p. 574). However, responding only to moral legitimacy based on intentions raises questions around what actions are being taken, and what are the consequences of those actions. Hence, pragmatic legitimacy—in terms of activity undertaken, and consequential legitimacy—regarding actual outputs, outcomes, and impacts (Suchman 1995), emerge as important considerations.

Battilana and Lee (2014) and Lee and Battilana (2013) suggest that social enterprises which do not fit within current institutional forms or associated norms face unique legitimacy challenges. This is particularly relevant in an Australian context where the sector is subject to limited reporting requirements and reporting norms have been slow to evolve, unlike other countries where reporting regulation is well established (e.g. the UK), or reporting norms have developed [e.g. the USA, where a trend of voluntary disclosure regarding non-profits' financial and social performance has been noted (Lall 2017)]. Thus, while social enterprises in Australia may benefit from limited reporting requirements, the lack of such requirements or expectations regarding (social and financial) performance reporting may present a challenge to their legitimacy (Luke 2016; Nicholls 2009).

Accountability for Dual Objectives

In a non-profit context, two broad elements of accountability include "accountability for what?" (Bovens 2007; Ebrahim 2010; Stone and Ostrower 2007), focusing on organisational practices and outcomes, and "accountability how?" (Bovens 2007; Ebrahim 2010), focusing on the mechanisms by which organisations are accountable. Other aspects of accountability include *accountability who?, to whom?, when?, why?, with what consequences* (Benjamin 2008; Mashaw 2006). However, given the limited research on social enterprise accountability in Australia and the importance of *accountability for what* and *how* as a foundation for understanding accountability in this context, this study explores *for what* are social enterprises accountable, and *how* they communicate accountability. Reflecting on findings from these two questions facilitates consideration of *to what extent* do social enterprises publicly communicate accountability, given their public benefit purpose.

Austin et al. (2006), focusing on social enterprises' social and commercial nature, argue addressing these dual objectives typically requires a surplus obtained from social enterprises' commercial activities and the reinvestment of that surplus in their social mission in order to create value for society. However, from a financial perspective, a social enterprise's funding may be from both commercial and non-commercial sources (e.g. sales revenue combined with donations and government support). Thus, dimensions of financial performance relevant to social enterprises range from financial security (secure funding source(s), commercial and non-commercial) to financial independence (e.g. through commercial operations, or a range of commercial customers) to financial sustainability (e.g. long-term commercial viability) (Luke et al. 2013). Similarly, from a social perspective, performance may involve various dimensions, ranging from pursuit or progress towards social mission, to achievement of it (Ebrahim 2005). This is particularly relevant, given the complex or "wicked" problems social enterprises often seek to address, and acknowledgement of the often extended time frames or progressive steps required to do so.

Accountability How?

Ebrahim (2010) identifies five broad accountability mechanisms used by non-profit organisations: disclosures, performance assessment, participation, self-regulation and adaptive learning, disclosure statements being the most widely used mechanism. This form of accountability is particularly important, as in many countries it is required of non-profit organisations by law (Ebrahim 2010), promoting transparency and supporting organisational legitimacy to the broader public.

Disclosure statements and reports such as financial statements are particularly relevant to financial accountability (Ebrahim 2010) in terms of stewardship as well as informed decision-making (Luke 2016). As commercial organisations, financial statements (typically used by for-profit organisations) might be expected from social enterprises. However, in practice, these are often not available, unless mandated. Numerous tools (e.g. Social Return on Investment, balanced scorecard, performance dashboards) have been promoted to communicate social performance or accountability (Lall 2017; Luke et al. 2013; Nicholls 2009). However, criticisms and challenges have also been noted due to lack of comparability in performance measures (Battilana and Lee 2014; Carman 2010), and managerial confusion regarding appropriate reporting and accountability mechanisms available (Barraket et al. 2016; O'Dwyer and Unerman 2007). Yet, as social enterprises continue to develop (Bissola and Imperatori 2012), accountability for their dual objectives is important to explore, given this duality underpins their identity and legitimacy (Cornforth 2014).

Various researchers (Carman 2010; Ebrahim 2005; Lall 2017) raise concerns regarding reporting and evaluation solely as a form of accountability, highlighting the importance of and need for reports as a basis for decision-making and organisational learning. Referring to a "proliferation" of reporting frameworks, Carman (2010) highlights the need for consistency and consensus regarding reporting expectations. Others (Lall 2017; Luke et al. 2013) highlight the importance of meaningful or useful reporting, rather than an overemphasis on measurement. In the context of WISE, this might involve number of employees/beneficiaries obtaining qualifications, or transitioning to independent employment (Battilana et al. 2015). Yet, despite the many social reporting frameworks promoted, arguably some level of consensus is gradually emerging, in terms of the reporting on inputs, activities, outputs, outcomes, and impacts (AASB 2015; Ebrahim and Rangan 2010; IPSASB 2015; Productivity Commission 2010). This framework provides both structure and flexibility and can be tailored to an individual organisation's operations (Luke 2016). Of concern, however, is whether a move towards consensus on reporting frameworks in theory is also reflected in practice.

Methodology

Given the limited research on social enterprise in Australia, this study is exploratory in nature, examining *for what* social enterprises are accountable, *how* social enterprises communicate accountability, and *to what extent* they publicly communicate accountability. Case study methodology was employed, examining four WISEs in Queensland, Australia, each of which was registered as a charity. A purposive sampling approach was adopted such that each social enterprise had an employment-related business model (Alter 2006) involving employment and training for disadvantaged people as part of the organisation's commercial operations, focusing on people with disabilities (physical or intellectual), minority groups (e.g. Indigenous Australians, non-Australians, non-English speaking) and the elderly. Table 1 summarises the profile of each participating social enterprise.

The social enterprises were identified through reviewing a public listing of social enterprises (Social Traders[1] database), and a social enterprise forum open to the public, where social enterprises were promoting their operations. Managers of four WISEs identified from these channels were contacted and invited to participate in this study, two being nascent organisations (operating less than 3 years) and two being mature organisations (operating for more than 20 years). Criteria in selecting these organisations included being a WISE located in Queensland, management willing to participate in an interview, and allowing the researcher to visit the organisation's premises and the see the operations in person.

Preliminary review of publicly available information on each social enterprise was undertaken, prior to conducting in-person interviews with the General Manager of each social enterprise. Three of the interviewees were male, and one was female (from Social enterprise D). Each had significant experience in the third sector (averaging more than 10 years) and was well informed on the topic of accountability, able to provide valuable insights based on their personal experience. In-depth semistructured interviews were conducted (each approximately one hour in duration) at the social enterprises' offices in mid-2014. Secondary data reviewed on each social enterprise included internal reports made available to the researcher, external reports and newsletters, and the social enterprises' websites. Reports were typically 10–20 pages in length, whereas newsletters were 1–4 pages each. A subsequent review of publicly available external data was also undertaken 5 years later, to consider developments in each social enterprise's public reporting on social and financial performance. A summary of the data examined is shown in Table 2.

Of note is that limited data were available from one organisation (Social enterprise B) beyond interview data and website details, which impacts on the findings, yet is also an important reflection of the findings (considered further in the following sections).

Interviews were recorded (with permission) and transcribed verbatim, and both primary and secondary data were used to prepare case summaries with specific headings (e.g. accountability for what, accountability how—social performance reporting, financial performance reporting), to facilitate systematic cross-case comparison. Date were then subject to thematic analysis with the assistance of NVivo, given patterns of cultural meaning were important to understand and describe the phenomena of social enterprise accountability (Fereday and Muir-Cochrane 2008). A process of iterative analysis involved examining the data based on the theoretical constructs of

[1] A non-profit organisation promoting and supporting social enterprise in Australia.

Table 1 Summary profile of participating social enterprises

	Social enterprise A	Social enterprise B	Social enterprise C	Social enterprise D
Social mission	Employment	Employment	Employment	Employment
No. of employees	> 50	< 10	< 10	> 25
Years in operation	< 3 years	> 30 years	< 3 years	> 20 years
Industry	Services	Services	Manufacturing	Manufacturing
Legal form	Charity	Charity	Charity	Charity

Table 2 Data examined

	Social enterprise A	Social enterprise B	Social enterprise C	Social enterprise D
Interviews	1	1	1	1
Websites[a]	1	1	1	1
Internal reports			Report to parent organisation[b]	
External reports	2013 annual impact report[c] 2013 and 2014 annual investment report[c] Monthly newsletter to stakeholders[b]		Newsletter to general public[b]	2013 and 2014 annual report by parent organisation[c]

[a]2014 and 2019

[b]Provided by interviewees

[c]Publicly available from related parties' websites

accountability (for what, how, to what extent) and legitimacy (moral, pragmatic, cognitive—based on the nature of the social enterprises' public reporting), searching for relationships and patterns (e.g. prioritisation of social versus financial accountability, similarities in the approaches to social and financial reporting). Explanatory principles were then considered in terms of the regulatory environment and relevant publics (based on reporting to internal stakeholders, selected publics, and the general public). A coding strategy based on the research questions guided the analysis to identify both deductive and inductive themes (Lapadat 2010). These themes are summarised in Table 3, detailing first-order codes (based on the research questions), second-order codes (drawing on findings and theory), and inductive codes which emerged from the data. Thus, thematic analysis provided both structure and flexibility (Braun and Clarke 2006).

Case Study Findings

Accountability for What?

Social Performance

All four social enterprises were conscious of the importance of accountability for social performance. For Social enterprise A, this involved focusing on the development and progression of employees/beneficiaries and was assessed on an individual case basis.

> We see the difference, the general population don't, I suppose, but because it is on such a wide scale and it's just the little things… So in regards to social impact, it's very much an individual case by case situation (Manager, Social enterprise A, 2014).

In Social enterprise B, the importance of social metrics was noted; accountability for social mission was referred to as a "numbers game".

> So it's like over this period of years I would like to be able to say we had 10 people get into open employment, we were able to give 15 people apprenticeships…I think it unfortunately turns into a numbers game in terms of accountability… At the moment we don't have numbers (Manager Social enterprise B, 2014).

Hence, the social enterprises considered accountability for social performance in terms of progress towards mission and meeting targets (e.g. the number of beneficiaries required to develop specific skills).

Table 3 Summary of the thematic analysis process

Deductive themes		Inductive themes	
1st order codes	*2nd order codes*		
Accountability *- For what* social performance financial performance	*Managing dual accountability*	Accountability priorities → Temporal approach	
- How reporting and disclosure *- To what extent?*	Legitimacy - moral - pragmatic - cognitive	 internal communication selective communication public communication	Relevant publics: internal stakeholders selected publics general public

Financial Performance

All four social enterprises were also conscious of the importance of accountability for financial performance; however, this was considered in different ways. For social enterprise A, emphasis was placed on commercial contracts, representing an important pathway to financial independence.

> We don't want government [grant] money we just want [commercial] contracts (Manager, Social enterprise A, 2014).

For Social enterprise D, financial performance was considered in terms of meeting predetermined budgets. However, for Social enterprise B, there was uncertainty regarding what accountability for financial performance involved, reflecting an emphasis on social performance, and financial elements as a means to a social "end".

> I don't think we can [demonstrate accountability for financial performance]… I guess it's just looking at the profit and losses…. I'm not quite sure (Manager, Social enterprise B, 2014).

Accountability Priorities

In terms of managing dual accountabilities, accountability for financial performance was consistently considered more important than accountability for social performance in each of the social enterprises. This pragmatic approach reflected an acknowledgement of the need for financial sustainability to effectively pursue social objectives.

> Definitely financial because… unless the social enterprise has a strong financially stable business plan it cannot deliver any social outcomes because it's going to go broke. So first and foremost it needs to be a strong business. Secondly it needs to develop social outcomes or produce social outcomes… (Manager, Social enterprise C, 2014).

> I think it's really 50/50 [financial/social accountability], however in saying that I do tend to lean a little bit more towards the financial side of it purely because—let's say 51/49. Only because without that financial sustainability we can't do what we want to do. So at the end of the day if we're not sustainable that means I've got 50 people who are then going to be looking for a job… So it does sort of weigh up but yeah, it's always something that I take very seriously, that we need to show that we do have that money to move forward (Manager, Social enterprise A, 2014).

Further, the interrelated nature of these two types of accountability was acknowledged, noting the importance of funding to support social objectives. Financial sustainability was emphasised as an important part of the organisation's broader accountability, intrinsically linked to the organisations' social mission (e.g. continuing to employ, train, and pay wages to the employees/beneficiaries).

> It's a bit part and parcel. I think the first thing that needs to happen is financially sustainable [operations] and then the second thing that needs to happen is then we need to focus on the goals of how we're going to do it. You can't really do anything without money… I

guess it's just setting up those constructs in the beginning and saying that when we do make a profit this is what the money goes back into (Manager, Social enterprise B, 2014).

Accountability means that we continue to be financially sustainable… we don't want to be six months down the track and have not met budget… we're employing people with disabilities that would find it very difficult to find a job anywhere else. So we need to be on top of our budget… and the staff accountability in supporting individuals with disabilities… The big one for me would be financially accountable, because—it's peoples' lives we're playing with, and I need to pay wages every month, every fortnight (Manager, Social enterprise D, 2014).

Again, concerns regarding government funding were noted, in terms of taking the focus away from the organisations' commercial and social operations.

My own opinion with funding bodies is that they move your focus away from the product itself, and perhaps as a viable business you're now focused on the money that's coming from the government, and then you're constantly just doing the things the government wants you to do where you forget about the customer…sometimes I think we put too much focus on the government funding and we don't put enough on the customer and the product (Manager, Social enterprise B, 2014).

Accountability How?

Communication of accountability was analysed in terms of information reported to the general public, selected publics, and internal stakeholders, each of which is considered below.

General Public

Each of the social enterprises' websites included detail on their mission and operations. However, detail on social achievements was consistently absent. For two social enterprises (A and C), online details also included various media interviews promoting the organisation and the nature of its activities.

We have been interviewed by a couple of local papers in [Queensland], The Courier Mail here in [Queensland], ABC Radio… (Manager, Social enterprise A, 2014).

Two social enterprises (A and D) included details of beneficiaries employed by the organisation (e.g. photographs and narratives). Only one social enterprise (B) provided metrics such as the number of individuals contracted by the social enterprise, hours of volunteer, and paid employment. Social enterprise B was also the only organisation to publicly provide detail on financial performance; however, this was limited to disclosing receipt of a grant.

Selected Publics

Two social enterprises provided additional information to selected publics, being funders or investors. Social enterprise A issued monthly newsletters and reports to selected external stakeholders (e.g. investor), detailing selective achievements in terms of social mission (e.g. the story of an employee/beneficiary within the organisation, and how employment at the social enterprise impacted on their life). Similarly, Social enterprise D provided routine financial reports to Government as an investor.

We set a budget every year and each month I have to report on that budget. The budget is not unreasonable. Most months we meet budget…The [government[2]] get a copy of the annual report every year so they can see how the business is going (Manager, Social enterprise D, 2014).

Internal Communication

For two of the social enterprises (C and D), more detailed internal communication of social performance involved reporting on the number of employees/beneficiaries, certifications achieved by them, comparative data on beneficiaries' employment hours, challenges and successes, observations and recommendations.

I report… on how many people I've employed that are Indigenous, how many people have done a [Certificate]—things like that (Manager, Social enterprise D, 2014).

Monthly reports…social outcome reports and my personal data—what I've done for the week (Manager, Social enterprise C, 2014).

For three of the social enterprises (A, B, and C), more comprehensive financial performance information was communicated only internally, and often only to select groups (e.g. board) within the organisation.

An annual general meeting where we finalise the year's proceedings and that's when I share that information with the board and anyone else who is

[2] In its capacity as a funding source.

> involved in the company, but as a general rule it's not something we sort of bandy around (Manager, Social enterprise A, 2014).

> [Financial information] is available to the board. I even have difficulty getting hold of them…(Manager, Social enterprise B, 2014).

Hence, communication involved publicly promoting mission and activities rather than achievements regarding social performance, and focusing on selected internal and external stakeholders with respect to financial performance. Table 4 summarises the findings regarding accountability *for what* (social and financial performance) and accountability *how* (based on disclosure to the general public, selected publics, and internal stakeholders). Collectively, these findings provide a basis for examining *to what extent* the social enterprises publicly communicate accountability, highlighting such communication was extremely limited.

Examination of each social enterprise's publicly available data in mid-2019 (5 years after initial data collection) revealed limited change in their disclosure of social and financial performance to the general public. Websites detailed information similar to that identified at the time of initial data collection (e.g. social mission, general nature of activities undertaken, photographs and stories of beneficiaries). However, more detailed information on social outputs and outcomes and specific information regarding financial performance were absent.

Discussion

Based on the findings, key themes emerge in terms of accountability priorities, practicalities, and legitimacy, each of which is considered below.

Accountability Priorities and Practicalities

Findings revealed that while all four social enterprises acknowledged dual social and financial accountability, financial performance was consistently prioritised. Specifically, a pragmatic approach emerged with financial performance considered essential to address long-term social objectives. This prioritisation reveals a temporal element of social enterprise accountability, with financial stability (SE C) and sustainability (SE A, B, and D) viewed as an important foundation for pursuing social objectives. While this prioritisation may be considered a pragmatic decision for social enterprises in general, in the context of WISE, this approach was considered central to ensuring secure, ongoing employment (and the associated benefits of training, and social and financial inclusion) for beneficiaries. This temporality highlights a more deliberative approach to balancing dual objectives within an integrated social enterprise model (Alter 2006). It also represents an important distinction from and extension to prior social enterprise literature (Lee and Battilana 2013; Pache and Santos 2013), which emphasises conflicts and tensions in managing "competing" logics. Rather, findings from this study revealed a planned emphasis rather than tension,

Table 4 Summary of social and financial performance reporting

	Social enterprise A	Social enterprise B	Social enterprise C	Social enterprise D
Social performance				
General public	Photographs of individual employees/beneficiaries	Social mission	Hours of paid and volunteer employment	Photographs and stories of individual employees/beneficiaries
Selected publics (external)	Stories of individual employees/ beneficiaries (newsletter recipients)			
	Social progress reporting to investor			
Internal communication			Social outcomes, challenges and successes	Number of Indigenous employees, number of certifications achieved
Financial performance				
General public			Selected financial details (grant)	
Selected publics	Selected financial details (contract)			Financial reports
Internal communication	Financial reports	Financial reports to select groups	Financial reports	Financial reports

potentially attributable to a rational approach, and the integrated nature of the organisations as WISE.

Also of note was the awareness of mission drift despite the emphasis on financial performance. Although several of the social enterprises had a clear (even slightly dominant) focus on financial performance, they were acutely aware that financial activity and the associated tasks must support the organisation's social objectives. Specifically, concerns of funding conditions (commercial or non-commercial) adversely influencing the organisations' focus on and achievement of mission were noted by the social enterprises. Hence, findings suggest a focus on financial performance can be balanced with an awareness of mission drift, particularly where social mission and financial mission are integrated (e.g. WISE). This notion represents an important extension to the literature, where a focus on financial performance is often associated with the risk of mission drift (Ebrahim et al. 2014). Thus, rather than associating financial focus with *risk* of mission drift, theory, and practice should perhaps reassess and emphasise the importance of financial focus (supporting financial sustainability) and *awareness* of mission drift (i.e. pursue financial opportunities which support the organisation and its associated social objectives).

Reporting and Legitimacy

Despite awareness of the importance of social and financial accountability, publicly available information on both social and financial performance was very limited. A comparison of the range of information reveals that social enterprises communicated accountability for social performance more commonly to the wider community (although with only limited detail), and at times only to select audiences, suggesting their *relevant publics* (Lindblom 1994)—those whom the organisation chooses to report to, are a select and limited group. In contrast, comprehensive communication on financial performance was typically only accessible internally within the social enterprises, and at times only to select groups within the organisation (e.g. Social enterprise B, where data sources for this study were limited). Thus, while social enterprises openly promoted their mission, appealing to moral legitimacy, they were far more reluctant to publicly communicate details relating to pragmatic or consequential legitimacy based on comprehensive reporting of activity in terms of inputs, outputs, outcomes, and impact. Further, there was little change in the nature of this reporting over the 5-years time frame examined. Explicitly examining social enterprise reporting through a legitimacy lens to consider relevant publics both complements and extends prior work on account space (Benjamin 2008), questioning whether current reporting practices are acceptable, or whether awareness, understanding, and performance of social enterprise should be made more visible. This issue is considered further below in terms of accountability for social and financial performance.

Accountability for Social Performance

While all four social enterprises clearly and publicly stated their social mission, none of the organisations provided comprehensive information regarding achievements in terms of their mission. The managers of all four social enterprises expressed that being accountable for social mission was assessed on an individual case basis, indicating the individual, incremental nature of their progress, and long-term nature of their social objectives. However, while reference was made to "seeing the difference" or progress, this progress was not publicly communicated such that the wider public could neither see nor hear about this. Rather, social reporting involved selective or partial accounts (e.g. images (photographs) and narratives (stories of selected employees/beneficiaries)). Of note was that while the Manager of Social enterprise B considered accountability for social mission was a "numbers game", the organisation did not have these numbers. This comment highlights the contrast between an emphasis on quantitative measurement (e.g. number of employees/beneficiaries in full-time employment) and the importance of qualitative detail relevant to developments and progress (Lall 2017; Luke 2016).

Examining the social enterprises' reporting based on an inputs, activities, outputs, outcomes, and impacts framework (Ebrahim and Rangan 2010; The Productivity Commission 2010), limited information on social enterprises' activities and inputs was publicly available. Similarly, selective details on outputs (number of hours of paid employment) and outcomes (change in beneficiaries' lives, certifications achieved) were provided by only two social enterprises to select internal or external stakeholder groups. However, none of the four social enterprises reported on impact. Table 5 summarises the inputs, activities, outputs, outcomes, and impacts reported by the social enterprises.

The partial and selective accounts indicate a reliance on moral legitimacy (intention to do good things) versus pragmatic or consequential legitimacy (evidence of achievements), both at the time of initial data collection and 5 years later. This is reinforced by social enterprises' communication (focusing on mission, rather than specifying the scope of their activities and achievements) and is perhaps a reflection of the Australian regulatory environment where limited information is required, and Australia's broader third-sector environment where reporting norms and expectations have been slow to evolve.

Table 5 Social enterprise reporting and legitimacy implications

	Social enterprise A	Social enterprise B	Social enterprise C	Social enterprise D	Legitimacy implications
Mission	Employment for disadvantaged people	Employment for disadvantaged people	Employment for disadvantaged people	Employment for disadvantaged people	Moral legitimacy
Inputs			Number of volunteer hours		Pragmatic legitimacy
Activities	Nature[b]	Nature[b]	Nature[b]	Nature[b]	Pragmatic legitimacy
Outputs			Number of hours of paid employment		Consequential legitimacy
Outcomes	Beneficiaries success stories[a]			Beneficiaries achieving certificates[a]	Consequential legitimacy
Impacts					Consequential legitimacy

[a]Reported to selective audience(s)

[b]In general terms (versus scope)

Managers of the social enterprises considered accountability for social mission to be a challenge, consistent with the literature on performance measurement and reporting of third-sector organisations in general and social enterprises in particular (Battilana and Lee 2014; Connolly and Kelly 2011; Cordery and Sinclair 2013). The "lack of common standards or benchmarks for social performance measurement" (Ebrahim et al. 2014, p. 4) was reinforced through incremental and individual development of employees/beneficiaries, which was considered easier to communicate through narratives. However, partial and selective accounts rather than a more comprehensive account of performance (e.g. inputs, outputs, outcomes, and impacts) raise questions regarding the value social enterprises create.

Accountability for Financial Performance

In terms of the social enterprises' accountability for financial performance, communication was also very limited. Typically, comprehensive financial information was only distributed to internal stakeholders, and at times select internal or external groups, rather than to the wider public. As one of the core characteristics of social enterprises is commercial operations (Ebrahim et al. 2014), not disclosing financial performance information raises questions regarding their identity. Unlike social performance reporting, established standards and norms for financial performance reporting exist and are used by for-profit organisations (Ebrahim et al. 2014). However, without giving the wider public access, there is no evidence that social enterprises are profitable or financially viable businesses, blurring the distinction between non-profits and social enterprises and the legitimacy of social enterprise as a distinct sector.

Reporting Practices and Legitimacy Implications

Although managers emphasised accountability for financial performance being a priority in practice, accountability for social performance was communicated more widely. As hybrid organisations, social enterprises which are not successful in fulfilling their social and financial objectives may face challenges to their continuation and survival (Connolly and Kelly 2011). However, for those social enterprises relying on public support, but reporting only to select *relevant publics* (Lindblom 1994), several issues emerge. Specifically, the limited publicly available information regarding social performance and lack of publicly available information regarding financial performance suggest legitimacy of social enterprises in this context is largely assumed, as they focus on creating social value. While establishing legitimacy through accountability mechanisms aligned with stakeholders' expectations is important (Dhanani and Connolly 2012), communicating legitimacy through performance outcomes and impacts is an area seemingly overlooked (Luke et al. 2013), highlighting a legitimacy gap. As noted by Preston et al. (1996), reporting shapes how various publics know and feel about an organisation. While specific (private) publics may be considered more important by social enterprises, partial communication of performance to the wider public is likely to result in limited legitimacy and support. Further, the slow pace (or lack) of change regarding the social enterprises' public reporting over the 5-year period examined suggests a coercive (regulatory) approach may be necessary to progress reporting in Australia's social enterprise sector.

Conclusions

This study sought to understand *for what* social enterprises are accountable, *how* social enterprises communicate accountability, and *to what extent* they publicly communicate accountability, based on an examination of four WISEs in Australia. Findings highlight acknowledgement of dual objectives, but pragmatic emphasis on financial accountability as a means to a social ends. However, only partial and selective accounts of social performance were made publicly available. Further, comprehensive reporting on financial performance was typically limited to internal stakeholders, often communicated only to select internal groups.

Communicating accountability for both social and financial performance is important for social enterprises, improving performance (Nicholls (2009) and reinforcing legitimacy (Connolly and Kelly 2011). If one of the primary objectives of social enterprises is to advance towards fulfilling a social mission (Austin et al. 2006), accountability for the outcomes of this mission is essential. The acknowledgement of financial performance as a pragmatic means to a social "ends" suggests the WISEs examined in this study are clearly focused on their social purpose. However, lack of publicly available detail raises concerns regarding whether social enterprises operate more like not-for-profit businesses (relying on donated funds).

As all four participating social enterprises promoted their organisational identity as social enterprises (making explicit their social mission: to provide employment for disadvantaged people), some customers may enter into commercial transactions to support the social purpose of the business. Alternatively, existing customers of social enterprises may believe at face value that the enterprise is doing "good" socially and has no need for comprehensive information regarding the social performance of the organisation. Importantly, however, customers have commercial and/or social expectations (e.g. quality goods, underlying social purpose) that need to be addressed in order to maintain the customer relationship. Hence, legitimacy as a social and commercial organisation is important for social enterprises, as it impacts on the availability of ongoing funds to pursue social objectives. Current approaches to reporting in Australia suggest social enterprises' "*relevant publics*" are a select group or a wider public satisfied with selective information. However, "a numbers game" (Manager, Social enterprise B) without numbers or other detail creates difficulties for internal and external parties to make informed decisions. Further, an emphasis on mission with limited detail of activities, inputs, outputs, outcomes, and impact suggests social enterprises' legitimacy rests on their intentions and morals (Nicholls 2009) rather than their actual achievements.

As with all research, this study has a number of limitations. These include the research setting, as there are several context-specific aspects that may have impacted on the findings such as the research being undertaken in one region (Queensland, Australia) with limited reporting requirements for the social enterprise sector, and all four participating social enterprises having an employment-related social mission. Hence, the findings are to some extent shaped by these issues, potentially limiting their generalisability. However, they provide valuable insights into Australia's social enterprise sector, which has been the subject of limited research to date. Further, for social enterprises operating in similar environments (limited regulation, discretionary reporting), or adopting varying reporting practices, there are important insights from this study regarding legitimacy and reporting which can be applied to a wider social enterprise context. Other limitations relate to the data collection methods such as the limited number and range of interviewees, social desirability bias within interviews, and the researchers' own bias (Nederhof 1985), addressed in part by using multiple data sources.

Social enterprises, as hybrid organisations, have dual social and financial objectives at their core, which are the reason for their existence. However, findings revealed that the social enterprises examined shared only limited information regarding the achievement towards these objectives, despite this information generally being available within the organisations. Future research exploring other mechanisms of accountability will provide further insights into an area of limited understanding and research. Effective ways to enhance accountability are central to social enterprises' legitimacy, particularly as the sector continues to grow. While social enterprise is a nascent field, as the sector matures, established norms will emerge. However, if no reporting is an accepted norm, and the broader public is not considered "relevant" to social enterprises' reporting, the legitimacy of the sector and its potential contribution may not be realised to effectively address the intended social issues.

Acknowledgements This research was approved by the Queensland University of Technology University Human Research Ethics Committee, Approval No. 1400000802.

Authors' contribution All authors contributed to the study conception, design, and drafting of the manuscript.

Funding There was no funding received for this research.

Compliance with ethical standards

Conflict of interest The authors confirm there are no conflicts of interest.

References

Alter, S. K. (2006). Social enterprise models and their mission and money relationships. In A. Nicholls (Ed.), *Social entrepreneurship: New models of sustainable social change* (pp. 205–232). Oxford: Oxford University Press.

Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice, 30*(1), 1–22.

Australian Accounting Standards Board. (2015). *Exposure draft ED270 reporting service performance information*. http://www.aasb.gov.au/admin/file/content105/c9/ACCED270_08-15.pdf.

Barraket, J., Collyer, N., O'Connor, M., & Anderson, H. (2010). *Finding Australia's Social Enterprise Sector (FASES)*. Brisbane: Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology and Social Traders.

Barraket, J., Mason, C., & Blain, B. (2016). *Finding Australia's Social Enterprise Sector (FASES) 2016*. Social Traders and Centre for Social Impact, Swinburne University of Technology.

Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment*. https://www.csi.edu.au/media/WestpacFoundation_CSI_report_Aug2019.pdf.

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., Sengul, M., Pache, A., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal, 58*(6), 1658–1685.

Benjamin, L. M. (2008). Account space: How accountability requirements shape nonprofit practice. *Nonprofit and Voluntary Sector Quarterly, 37*(2), 201–223.

Bissola, R., & Imperatori, B. (2012). Sustaining the stakeholder engagement in the social enterprise: The human resource architecture. In J. Kickul & S. Bacq (Eds.), *Patterns in social entrepreneurship research* (pp. 137–160). Cheltenham: Edward Elgar Publishing Limited.

Bovens, M. (2007). Analysing and assessing accountability: A conceptual framework. *European Law Journal, 13*(4), 447–468.

Bovens, M. (2010). Two concepts of accountability: Accountability as a virtue and as a mechanism. *West European Politics, 33*(5), 946–967.

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology, 3*(2), 77–101.

Carman, J. G. (2010). The accountability movement: What's wrong with this theory of change? *Nonprofit and Voluntary Sector Quarterly, 39*(2), 256–274.

Christensen, R. A., & Ebrahim, A. (2006). How does accountability affect mission? The case of a nonprofit serving immigrants and refugees. *Nonprofit Management and Leadership, 17*(2), 195–209.

Connolly, C., & Kelly, M. (2011). Understanding accountability in social enterprise organisations: A framework. *Social Enterprise Journal, 7*(3), 224–237.

Cordery, C., & Sinclair, R. (2013). Measuring performance in the third sector. *Qualitative Research in Accounting and Management, 10*(3/4), 196–212.

Cornforth, C. (2014). Understanding and combating mission drift in social enterprises". *Social Enterprise Journal, 10*(1), 3–20.

Dhanani, A., & Connolly, C. (2012). Discharging not-for-profit accountability: UK charities and public discourse. *Accounting, Auditing & Accountability Journal, 25*(7), 1140–1169.

Doherty, B., Haugh, H., & Lyon, F. (2014). Social enterprises as hybrid organizations: A review and research agenda. *International Journal of Management Reviews, 16*(4), 417–436.

Ebrahim, A. (2003a). Accountability in practice: Mechanisms for NGOs. *World Development, 31*(5), 813–829.

Ebrahim, A. (2003b). Making sense of accountability: Conceptual perspectives for northern and southern nonprofits. *Nonprofit Management & Leadership, 14*(2), 191–212.

Ebrahim, A. (2005). Accountability myopia: Losing sight of organizational learning. *Nonprofit and Voluntary Sector Quarterly, 34*(1), 56–87.

Ebrahim, A. (2010). The many faces of nonprofit accountability. In D. O. Renz (Ed.), *The Jossey-Bass handbook of nonprofit leadership and management* (pp. 101–123). San Francisco, CA: Jossey-Bass.

Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior, 34*(1), 81–100.

Ebrahim, A., & Rangan, V. K. (2010). *The limits of nonprofit impact: A contingency framework for measuring social performance*. Harvard Business School working paper 10-099, Harvard Business School.

Fereday, J., & Muir-Cochrane, E. (2008). Demonstrating rigor using thematic analysis: A hybrid approach of inductive and deductive coding and theme development. *International Journal of Qualitative Methods, 5*(1), 80–92.

Grant, R. W., & Keohane, R. O. (2005). Accountability and abuses of power in world politics. *American Political Science Review, 99*(1), 29–43.

Gray, R., Bebbington, J., & Collison, D. (2006). NGOs, civil society and accountability: Making the people accountable to capital. *Accounting, Auditing & Accountability Journal, 19*(3), 319–348.

International Public Sector Accounting Standards Board. (2015). *Recommended practice guideline 3 reporting service performance information*. http://www.ifac.org/system/files/publications/files/IPSASB-RPG-3-Reporting-Service-Performance-Information.pdf.

Jacobs, A. (2006). Helping people is difficult: Growth and performance in social enterprises working for international relief and development. In A. Nicholls (Ed.), *Social entrepreneurship: New paradigms of sustainable social change* (pp. 247–270). Oxford: Oxford University Press.

Kerlin, J. (2006). Social enterprise in the United States and Europe: Understanding and learning from the differences. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, 17*(3), 246–262.

Kerlin, J. A. (2010). A comparative analysis of the global emergence of social enterprise. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, 21*(2), 162–179.

Lall, S. A. (2017). Measuring to improve versus measuring to prove: Understanding the adoption of social performance measurement practices in nascent social enterprises. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, 28*(6), 2633–2657.

Lall, S. A. (2019). From legitimacy to learning: How impact measurement perceptions and practices evolve in social enterprise—Social finance organization relationships. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, 30*(3), 562–577.

Lapadat, J. C. (2010). *Thematic analysis. Encyclopedia of case study research*. Thousand Oaks, CA: Sage Publications.

Lee, M., & Battilana, J. (2013). *How the zebra got its stripes: Imprinting of individuals and hybrid social ventures*. Harvard Business School Organizational Behavior Unit Working Paper 14-005.

Lindblom, C. K. (1994). *The implications of organizational legitimacy for corporate social performance and disclosure*. Paper presented at the critical perspectives on accounting conference, New York.

Luke, B. (2016). Measuring and reporting on social performance: From numbers and narratives to a useful reporting framework for social enterprise. *Social and Environmental Accountability Journal, 36*(2), 103–123.

Luke, B., Barraket, J., & Eversole, R. (2013). Measurement as legitimacy versus legitimacy of measures—Performance evaluation of social enterprise. *Qualitative Research in Accounting & Management, 10*(3/4), 234–258.

Lyon, F., & Sepulveda, L. (2009). Mapping social enterprises: Past approaches, challenges and future directions. *Social Enterprise Journal, 5*(1), 83–94.

Mashaw, J. L. (2006). Accountability and institutional design: Some thoughts on the grammar of governance. In M. Dowdle (Ed.), *Public law working papers: Public accountability—Designs, dilemmas and experiences* (p. 115). Cambridge: Cambridge University Press.

Messner, M. (2009). The limits of accountability. *Accounting, Organizations and Society, 34*(8), 918–938.

Nederhof, A. J. (1985). Methods of coping with social desirability bias: A review. *European Journal of Social Psychology, 15*(3), 263–280.

Nicholls, A. (2009). 'We do good things, don't we?' Blended value accounting in social entrepreneurship. *Accounting, Organizations and Society, 34*(6/7), 755–769.

Nicholls, A. (2010). The legitimacy of social entrepreneurship: Reflexive isomorphism in a pre-paradigmatic field. *Entrepreneurship Theory and Practice, 34*(4), 611–633.

O'Dwyer, B., & Unerman, J. (2007). From functional to social accountability: Transforming the accountability relationship between funders and non-governmental development organisations. *Accounting, Auditing & Accountability Journal, 20*(3), 446–471.

Pache, A., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to conflicting institutional logics. *Academy of Management Journal, 56*(4), 972–1001.

Preston, A. M., Wright, C., & Young, J. J. (1996). Imag[in]ing annual reports. *Accounting, Organizations and Society, 21*(1), 113–137.

Productivity Commission. (2010). *Contribution of the not-for-profit sector research report*. Canberra: Australian Government.

Ryan, C., Dunstan, K., & Brown, J. (2002). The value of public sector annual reports and annual reporting awards in organizational legitimacy. *Accounting, Accountability, & Performance, 8*(1), 61–76.

Spear, R. (2016). National profiles of work integration social enterprises: Unite Kingdom, EMES European Research Network. https://www.socialtraders.com.au/wp-content/uploads/2016/05/National-Profiles-of-Work-Integration-Social-Enterprises-United-Kingdom-The-ELEXIES-Project.pdf.

Stone, M. M., & Ostrower, F. (2007). Acting in the public interest? Another look at research on nonprofit governance. *Nonprofit and Voluntary Sector Quarterly, 36*(3), 416–438.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*(3), 571–610.

Unerman, J., & O'Dwyer, B. (2006). Theorising accountability for NGO advocacy. *Accounting, Auditing & Accountability Journal, 19*(3), 349–376.