3 Social value creation – A capability approach perspective

The purpose of this chapter is to explain the concept of social value creation and to offer a basic understanding of the concept on the basis of the capability approach. As mentioned in the previous chapter, social value creation is a necessary condition for social entrepreneurship. It is this social value creating aspect which differentiates social entrepreneurship from traditional entrepreneurship. Acknowledging the pivotal role of social value creation as a defining aspect of social entrepreneurship, it is indispensible for a deeper understanding of the concept to know what social value creation actually is and what it entails. Accordingly, Mair and Martí (2006: 38) state that “possibly, the greatest challenge in understanding social entrepreneurship lies in defining the boundaries of what we mean by social” (emphasis in the original).

Researchers usually describe social value creation as the solving of “social problems” and “social issues” (e.g., Alvord et al. 2004; Bornstein 2004; Light 2006; Phills et al. 2008), and the addressing of “social needs” (e.g., Caulier-Grice 2010: 18; Mair and Martí 2006; Mulgan 2007: 8; Murray et al. 2010: 3). However, these descriptions fail to provide a deeper understanding of social value creation since they do not specify what a social problem is and what constitutes a social need. Phills et al. (2008), for example, demonstrate that basing one’s understanding of social value creation on the idea of addressing and meeting social needs can be misleading. The authors argue that deodorants also address social needs since they help to strengthen our social fabric (ibid.). Similarly, the automobile can be considered as addressing social needs since it promotes the feelings of freedom and independence and enables people to visit each other who would otherwise rarely see each other (ibid.). These thought experiments illustrate that social value creation goes beyond addressing what is commonly known as ‘social needs’ since the production and provision of deodorants and automobiles could hardly be considered as social entrepreneurial activity.

It can be concluded that simply referring to the solving of social problems and the addressing of social needs is not productive for explaining the concept of social value creation. In general, it can be observed that approaches to social value creation hardly exist to date. Whereas value creation in business and commercial entrepreneurship gets expressed in wealth creation, the same does not hold true in the case of social value creation (Dees 1998a). Dees (1998a) states that, although markets are not perfect, they work reasonably well to translate the value created for customers into their willingness to pay and, hence, in economic return. In the case of social value creation, however, the value created does not translate into the beneficiaries’
willingness to pay for it. Hence, assessing social value creation in social entrepreneurship is inherently difficult (Dees 1998a).

Two questions are important with regard to understanding social value creation: What is social value? And, what activities, services, products etc. can be considered as social value creating? It is suggested that a starting point for understanding social value and social value creation is the idea of human wellbeing. In this regard, social value can be understood as that which contributes to wellbeing. Activities, services, and products etc. that enhance human wellbeing can be understood, accordingly, as social value creating. Different approaches to human wellbeing exist such as psychological approaches (e.g. Ryan and Deci 2001), need-based and motivational approaches (e.g., Clarke 2005; Sirgy 1986), and political-philosophical approaches such as the capability approach. Several researchers such as Caulier-Grice et al. (2012), Mulgan (2012) and Pol and Ville (2009) have pointed out the potential of the capability approach to conceptualise social value creation in social entrepreneurship and social innovation research. And indeed, Yujuico (2008) and Ziegler (2010) have applied the capability approach as a framework to make the ‘social’ in social entrepreneurship explicit. The advantage of the capability approach in comparison with psychological approaches to human wellbeing is that it helps to conceptualise wellbeing with respect to not only individuals but also groups and communities. Hence, it can be concluded that the capability approach is a promising approach which can contribute to a better understanding of social value creation. The next section describes and discusses the capability approach in more detail.

3.1 The capability approach

The capability approach is a normative framework which helps to conceptualise concepts such as wellbeing, poverty, justice, development and inequality (Robeyns 2011). Furthermore, it can also be used to evaluate policies and proposals about development and social changes. Amartya Sen (1979, 1985, 1992, 2005) pioneered the capability approach as a new approach within the field of welfare economics. In his theory of development, which would later come to be known as the Human Development paradigm and which has its roots in literature on economic inequality and poverty measurement (Desai 1991), Sen suggests that the purpose of development is to improve human lives by expanding their capabilities, i.e., the range of things that people can be and do. The capability approach provides, in this regard, the conceptual framework for the Human Development paradigm (Fukuda-Parr 2003). The potential of the capability approach, however, was recognised to lie not only within the field of development studies and welfare economics but also in other fields such as moral and political philosophy.
Martha Nussbaum (1987, 1992, 2000, 2003) discussed the capability approach within the context of moral and political philosophy and developed the approach within this context substantially further.

Opposed to established development paradigms in the field of welfare economics, the capability approach defines human wellbeing not on the basis of wealth, income or other quantifiable measures, but on the freedoms or capabilities that people have to “choose from possible livings” (Sen 1992: 40), i.e., the real opportunities that people have to do what they want to do and to be what they want to be (for example, having the opportunity to be educated, having the ability to freely move around). The capability approach, therefore, takes the clear stand that it is the ability of people to realise these doings and beings rather than material means such as income and economic wealth, that constitutes wellbeing. Hence, the capability approach stands in contrast to other accounts of wellbeing which prioritise and exclusively focus on subjective happiness or income and wealth (Robeyns 2011). Material means such as income and wealth are, from the perspective of the capability approach, means to wellbeing, but not ends in themselves. Accordingly, Anand and Sen (2000: 2032) pose the question “How can we possibly give priority to the means of living, which is what treasure and wealths are, over the ends of good and free human lives?”. However, rather than being a precise theory of wellbeing, the capability approach is generally conceived as a “multi-purpose framework” (Robeyns 2011) that has multiple possible applications.

3.1.1 Capabilities and functionings

The capability approach makes two analytical distinctions with regard to what constitutes a good and free human life: capabilities and functionings. Functionings are ‘beings’ and ‘doings’ that make a life valuable (Robeyns 2005). Valuable ‘beings’ are, for example, to be well-nourished, to be healthy, and to be educated (ibid.). Valuable ‘doings’ are, for example, travelling, voting in elections, and donating money to charity (ibid.). Capabilities, in contrast, are the freedom, abilities and opportunities to achieve these functionings. In other words, capabilities are the genuine opportunities that people have to do what they want to do and be what they want to be in order to lead a life which they consider as valuable. As one example, Robeyns (2011) illustrates the connection between capabilities and functionings by stating that “while travelling is a functioning, the real opportunity to travel is the corresponding capability”. Thus, the difference between functionings and capabilities is that functionings are realised achievements, whereas capabilities are freedoms or opportunities to realise valued functionings. Robeyns (2005: 95) explains the perspective of the capabilities approach by stating that a person should have the right, i.e., should be able to practice a religion, whereas it is the decision of the person if her or she effectively wants to practice a religion. The ultimate normative measure is,
therefore, the capability and not the achieved functioning as such (Robeyns 2005). The choice of focusing on capabilities rather than functionings reflects the liberal nature and anti-paternalist consideration of the capability approach (Robeyns 2011). Sen and Nussbaum, therefore, support the stand that not a particular account of good life is privileged but the ability or freedom of choosing from a range of possible ways of life (ibid.).

3.1.2 Central, basic and complex capabilities

Nussbaum (2000, 2003) developed a list of ten central human capabilities which can serve as a basis for formulating basic political principles that can shape fundamental constitutional guarantees to people, but which can also serve as a comparative quality of life measurement (Nussbaum 2003). Nussbaum (2000: 78-80, 2003) views the ten central human capabilities as the central requirements for a life with dignity. The ten central human capabilities are: (1) life; (2) bodily health; (3) bodily integrity; (4) senses, imagination and thought; (5) emotions; (6) practical reason; (7) affiliation; (8) other species; (9) play; and (10) control over one’s environment. Table 2 provides a detailed explanation of each central human capability.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Ten central human capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Life</td>
<td>Being able to live to the end of a human life of normal length; not dying prematurely, or before one’s life is so reduced as to be not worth living.</td>
</tr>
<tr>
<td>2. Bodily Health</td>
<td>Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.</td>
</tr>
<tr>
<td>3. Bodily Integrity</td>
<td>Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.</td>
</tr>
<tr>
<td>4. Senses, Imagination and Thought</td>
<td>Being able to use the senses, to imagine, think, and reason – and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencings and producing works and events of one’s own choice, religious, literary, musical, and so forth. Being able to use one’s mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid nonbeneficial pain.</td>
</tr>
<tr>
<td>5. Emotions</td>
<td>Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one’s emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)</td>
</tr>
</tbody>
</table>
6. Practical Reason

Being able to form a conception of the good and to engage in critical reflection about the planning of one’s life. (This entails protection for the liberty of conscience and religious observance.)

7. Affiliation

A. Being able to live with and toward others, to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and public speech.)

B. Having the social bases of self-respect and nonhumiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of nondiscrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin.

8. Other Species

Being able to live with concern for and in relation to animals, plants, and the world of nature.

9. Play

Being able to laugh, to play, to enjoy recreational activities.

10. Control over one’s environment

A. Political. Being able to participate effectively in political choices that govern one’s life; having the right of political participation, protections of free speech and association.

B. Material. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason, and entering into meaningful relationships of mutual recognition with other workers.

Source: Nussbaum (2003: 41–42)

Sen (2004, 2005), in contrast, does not approve of a fixed list of central capabilities, stating that “pure theory cannot ‘freeze’ a list of capabilities for all societies for all time to come, irrespective of what the citizens come to understand and value” (Sen 2004: 79). Another problem for Sen (2005: 158) is that listing relevant capabilities involves valuation in determining the relative weights and importance of the different capabilities. He gives the example of the ability to be well-nourished which cannot be put invariably above or below the ability to be well-sheltered since the context and circumstances may play roles in assessing the relative relevance of the two capabilities (Sen 2005: 158).

Nevertheless, Sen (1992: 39) does distinguish elementary or basic functionings (e.g., being adequately nourished) and complex functionings (e.g., being happy, having self-respect). For him, basic capabilities refer to a threshold level for relevant capabilities (Sen 1992: 45). Accordingly, a basic capability is “the ability to satisfy certain elementary and crucially important functionings up to certain levels” (Sen 1992: 45). Thus, basic capabilities are capabilities that are necessary for survival and for escaping poverty and other serious deprivations (Robeyns 2011). On the other hand, complex capabilities are, for example, the
ability to have a decent and valuable job, having self-respect, and participating actively in the life of the community (ibid.).

Robeyns (2011) concludes that the notion of basic capabilities will be crucial for poverty analysis and for studying the wellbeing of people in poor countries. Complex capabilities, in contrast, will be more relevant for studying wellbeing in affluent countries since wellbeing analysis would focus on capabilities that are less necessary for survival (ibid.).

### 3.1.3 Conversion factors

Another important aspect of the capability approach is the idea of conversion factors (Sen 1992). Conversion factors signify the degree to which a person can achieve a functioning out of a resource, or, put in other words, the degree to which “a person can transform a resource into a functioning” (Robeyns 2005). Robeyns (2005) gives the example of a bicycle as a good which can enable the functioning of mobility. However, not every person will be able to achieve the functioning of mobility by having a bicycle. Only those who know how to ride a bicycle will be effectively able to transform the resource in the form of a bicycle into the functioning of mobility. The purpose of conversion factors is to capture this fact. Whereas a person who knows how to ride a bicycle has a high conversion factor, a person who does not know how to ride or who is physically challenged has a low conversion factor (ibid.). In this example, the conversion factor signifies “how much mobility the person can get out of a bicycle” (Robeyns 2011). Robeyns (2005) distinguishes between three types of conversion factors: personal, social, and environmental. Examples of personal conversion factors are physical conditions, sex, reading skills, and intelligence (Robeyns 2005: 99). Examples of social conversion factors are public policies, social norms, discriminating practices, and power relations (ibid.). For instance, if a society does not allow women to ride a bicycle, the conversion factor for women of having a bicycle will be, accordingly, very low (ibid.). The third type of conversion factors are environmental conversion factors, examples of which include climate, geographical location, pollution, and the proneness to earthquakes (Robeyns 2005; Robeyns 2011.). For example, a person who lives in the Sahara has less opportunity to transform a bicycle into a source of mobility than someone living in a city with cycle paths.

The idea of conversion factors emphasises the fact that the mere existence of resources does not imply that people’s wellbeing is increased. On the contrary, conversion factors play a crucial role in determining how the presence of a resource is converted into an actual expansion of capabilities. Robeyns (2005, 2011) states that “capability” does not only refer to a person’s abilities (internal conversion factors) which make an opportunity feasible but also to social and environmental conversions factors (external conversion factors).
3.1.4 Limitations and critiques of the capability approach

One major critique of the capability approach refers to its underspecified character (Robeyns 2003). In this regard, Robeyns (2003: 64) contends that the capability approach is “a framework of thought, a normative tool, but it is not a fully specified theory that gives us complete answers to all our normative questions”. Hence, every evaluative assessment on the basis of the capability approach requires additional normative and social theories which may result in very divergent normative results (Robeyns 2003). Also, Martins (2011) and Ballet et al. (2013) state that Sen’s capability approach is not a complete ethical theory. Whereas authors such as Kant and Rawls were concerned with prescriptive methods for ethical decisions, Sen’s capability approach is concerned with the description of the space within which assessments of wellbeing are made (ibid.). Dean (2009) asserts further that the capability approach, being based on a liberalist and ‘contractarian’ worldview, is an overly individualistic approach which ignores that human beings are interdependent and dependent beings. Thus, the capability approach fails to acknowledge the relevance of values such as care, love, and solidarity (ibid.). However, Robeyns (2003: 65) argues that the capability approach is not ontologically individualistic and, therefore, does not assume human beings as atomistic individuals or that functionings and capabilities are independent of people’s concern for others. And, as Dean (2009) also must admit, Nussbaum (2000) does not conceptualise human beings as self-sufficient individual subjects, since she lists ‘affiliation’, which means “being able to live with and toward others, to recognize and show concern for other human beings”, as one of the central capabilities. In general, it can be observed that Nussbaum, as a moral and political philosopher, gives the capability approach a more prescriptive and, therefore, normative direction through the listing of central human capabilities. Nussbaum (2003: 45) asserts that freedoms have to be evaluated and desirable ones need to be specified since “some are central and some trivial, some good and some actively bad”. For instance, the freedom to hang out a sign saying ‘No Blacks here’ or businesses’ capability to pollute the environment are actively bad freedoms which limit other people’s freedom. Thus, Nussbaum (2003) views it necessary to specify and list central human capabilities. In summary, it can be concluded that the capability approach, at least in Sen’s version, remains underspecified with regard to its ethical framework and, therefore, leaves much space to construe its application and results.

To sum up, the capability approach is a conceptual framework which can be used to assess and conceptualise wellbeing and poverty, and to evaluate policies and programmes about welfare and development, and can serve as a conceptual foundation for the development of basic entitlements and rights. The capability approach does not view the mere existence of goods and resources as crucial to people’s wellbeing but their actual ability to make use and achieve valuable functionings out of these goods and resources, which depends not only on their
internal abilities (personal conversion factors) but also on external factors (social and environmental conversion factors).

It is further concluded that the capability approach is underspecified and, therefore, often needs to be extended with normative elements such as the listing of central capabilities. It is suggested in the following sections how the capability approach can serve as a conceptual basis to theorise social value creation in social entrepreneurship research. But before elaborating on the application of the capability approach to understand social value creation in social entrepreneurship, the next section presents literature which has already applied the approach to social entrepreneurship research.

3.2 The capability approach in social entrepreneurship literature

The capability approach has been used in social entrepreneurship research by Yujuico (2008) in his article “Connecting the dots in social entrepreneurship through the capabilities approach” and by Ziegler (2010) in his article “Innovations in doing and being: Capability innovations at the intersection of Schumpeterian political economy and human development”.

Yujuico (2008) proposes in his article the capability approach as a unifying theoretical framework for comprehending social entrepreneurship. In this framework, social entrepreneurship is considered as a response to market failure, state failure, or both. Social entrepreneurs are motivated to enhance the availability of the ten central human capabilities proposed by Nussbaum (2000, 2003). The availability of the ten central human capabilities, however, also depends on the internal capabilities and external conditions. Social entrepreneurs combine and improve capitals such as human, natural, social, physical, and financial in innovative ways in order to improve the availability of capabilities for people and, therefore, enhance wellbeing. In summary, Yujuico (2008) applies the capabilities approach to explicate the ‘social’ in social entrepreneurship. Hence, social entrepreneurship within Yujuico’s (2008) framework is about enhancing the ten central human capabilities and social entrepreneurs are, among other things, motivated to improve these capabilities by combining creatively human, natural, social, physical, and financial capital.

Ziegler (2010) uses the capability approach as a comprehensive normative framework for social entrepreneurship in order to articulate, similar to Yujuico (2008), the ‘social’ element in social entrepreneurship. He shows that conceptualising the ‘social’ on the basis of the capability approach is a more robust approach since it overcomes the by Cho (2006) posed challenges of the ‘social’, i.e., the conflict of interests, value diversity and excluded publics. Further, Ziegler (2010) develops the idea of capability innovations by combining Joseph Schumpeter’s approach
to entrepreneurship and innovation, and the capability approach. Ziegler (2010) proposes, in this regard, two hypotheses: First, social innovation is the carrying out of new combinations of capabilities; second, social entrepreneurs are characterised by their capacity to imagine and carry out new combinations of capabilities.

Whereas Yujuico (2008) bases the application of the capability approach on the ten central human capabilities which were proposed by Nussbaum (2003), Ziegler (2010) does not specify which capabilities are made accessible by social entrepreneurs. However, both agree with the fact that social entrepreneurs help to make available and expand capabilities for others, and that social entrepreneurship is about expanding people’s capabilities so that they can live a good and valuable life.

Also, other authors have pointed out to the capability approach in their conceptualisations of social value creation in the context of social entrepreneurship and social innovations. For example, Pol and Ville (2009) use the concept of ‘quality of life’ in their definition of social innovation and state that a person’s quality of life “is determined by the valuable options she has had the opportunity to choose from and what she has been able to achieve” (Pol and Ville 2009: 882). Also, Caulier-Grice et al. (2012: 23) view that social innovations develop assets and capabilities, whereas the latter are the “means through which needs are met – they are a kind of freedom; the substantive freedom to achieve alternative functioning combinations”. Another author who points out to the applicability of the capability approach for conceptualising and assessing wellbeing and happiness as ends and outcomes of social entrepreneurship and social innovation is Mulgan (2012). The next section discusses the applicability and advantages of the capability approach for conceptualising social value creation in social entrepreneurship.

3.3 The capability approach applied to social value creation

Within the framework of the capability approach, social value creation can be understood as the expansion of human wellbeing through expanding people’s capabilities, i.e., their real opportunities to do what they want to do and be what they want to be in order to live a dignified and valuable life. The advantage of conceptualising social value creation in terms of the capability approach is that the real opportunities that people have to attain wellbeing are emphasised. Rather than focusing on resources and assets as preconditions for wellbeing, the capability approach perspective of social value creation also takes into consideration the effects of conversion factors on human wellbeing. As mentioned earlier, the existence of resources such as goods and services in combination with personal, social, and environmental conversion factors influence the availability of capabilities. Accordingly, it can be stated that social
entrepreneurs and SE organisations expand people’s capabilities by not only providing essential goods and services but also, especially, by improving personal and social conversion factors. For example, although higher education in Germany is generally also accessible for people from low-income backgrounds through financial support from the government and relatively low or non existent tuition fees, evidence shows that many young people, whose parents have not attended higher education, do not opt for higher education. The SE organisation ArbeiterKind.de builds its actions based on the insight that these young people lack information and face reservations from their families. Hence, ArbeiterKind.de helps improving personal conversion factors by providing information about higher education opportunities and by offering a mentoring programme. Another example of an organisation that improves social conversion factors in order to expand capabilities is the ASHA Foundation in India. Recognising that discrimination exists in hospitals towards people with HIV/AIDS which may even lead to denial of proper care, the organisation changes the attitudes of hospital staff to ensure equal and proper treatment for patients. Both examples show the strength of the capability approach in explaining social value creation in social entrepreneurship. The capability approach stresses the real opportunities that people have. In both cases the marginalised groups have officially the opportunity to make use of essential services such as higher education and health care. However, the real opportunity does not exist or exists only marginally. It can be assessed that the focus of social entrepreneurship on real opportunities is what often sets it apart from traditional social service providers.

Nevertheless, two problems exist with the application of the capability approach for conceptualising social value creation in social entrepreneurship. The first problem is connected with the fact that the capability approach does not accommodate environmental issues in its normative framework. The second problem is, as mentioned earlier, that the capability approach is underspecified with regard to valuable and relevant capabilities. The following subsections discuss these difficulties and offer solutions to them.

### 3.3.1 Environmental considerations and the capability approach

Some social entrepreneurs and SE organisations create social value by addressing environmental issues such as environmental pollution and climate change. An example of an SE organisation that creates social value by addressing environmental issues is the Centre of Environmental Research and Education (CERE). CERE not only raises environmental awareness among school children regarding environmental issues but also helps companies reduce their carbon footprint. The organisation helps these companies to map and reduce their carbon footprint. The social value that CERE creates is not the immediate improvement of the availability of human capabilities to people. Hence, it can be concluded that this aspect of social
value creation which creates value through the protection of the environment is difficult to explain and describe on the basis of the capability approach.

Nevertheless, Nussbaum (2000: 80, 2003: 42) integrates environmental aspects into the capability framework by listing the capability of ‘other species’ as one of the central human capabilities, which stands for the ability to “live with concern for and in relation to animals, plants, and the world of nature”. The capability of ‘other species’ as a central capability views that caring for nature is an important freedom of a human being in order to live a dignified life. This perspective, however, is not very suitable for explaining the social value that SE organisations such as CERE create. In this perspective, CERE creates social value since it enables school children and companies to realise their freedom to care for nature. It is suggested that the value that SE organisations such as CERE create goes beyond simply enabling people to care for nature. Anand and Sen (2000: 2030) attempt to explain the link between human development and sustainable development by stating that the foundational concepts of equality and universalism imply that future generations should be able to “enjoy similar opportunities of leading worthwhile lives that are enjoyed by generations that precede them”. Hence, the universalist approach to human development demands that present generations cannot plunder and deplete natural assets and resources so that future generations are not able to enjoy the same opportunities (ibid.).

Holland (2008) elaborates on this aspect with regard to the capability approach by extending Nussbaum’s capability approach by emphasising the environment’s instrumental value to human capabilities. The author (ibid.) argues that human capabilities are dependent on the natural environment and that, therefore, ‘sustainable ecological capacity’ as a meta-capability is essential to human capabilities since it enables all the central human capabilities. Also Pelenc et al. (2013) assess that the environment is an essential condition for the possibility of capabilities and suggest integrating the value of nature into the capability framework. The relevance of sustaining ecological capacity for human capabilities is also evident with regard to environmental justice (Holland 2008). For example, the impact of climate change due to carbon dioxide emissions by industrialised societies affects not these societies themselves in the first place, but other vulnerable countries such as Bangladesh (Holland 2008). Also, the depletion of natural resources by corporations often leads to the marginalisation of vulnerable local people by limiting their capability to, for example, have access to fresh drinking water.

Building on Holland’s (2008) proposition that sustainable ecological capacity is a meta-capability which enables all other human capabilities, it is suggested that social value creation in social entrepreneurship can be expressed in two ways: as the expansion of human capabilities, on the one hand, and as the sustenance of ecological capacity, on the other hand.
3. Social value creation

The term ‘capacity’ signifies here that nature has the innate capacity of holding resources, of holding bio-diversity, and an ecological balance such as a balanced climate. However due to irresponsible and careless behaviour of humans, this capacity has been drastically reduced. Accordingly, SE organisations which address environmental problems create social value by enhancing environmental capacity.

Noteworthy is the philosophical consideration of whether an intact environment is of instrumental value only in contributing to human wellbeing or if it is also of intrinsic value, i.e., worth protecting for its own sake. Deep ecologists such as Naess (1973) and Devall and Sessions (2010) reject the idea of the dominance of humans over nonhuman nature. Hence, viewing the value of sustaining ecological capacity in that it enables human capabilities can be criticised from a deep ecologist’s perspective. The deep ecological consciousness views humans as part of the organic whole and, therefore, perceives no ontological divide in existence as conceived in traditional scientific beliefs (Devall and Session 2010). Thus, Devall and Session (2010: 456) state as one of the basic principles of deep ecology that the “well-being and flourishing of human and nonhuman Life on earth have value in themselves […] These values are independent of the usefulness of the nonhuman world for human purposes” (emphasis added).

To sum up, it is suggested that sustaining ecological capacity is one form of social value creation within the framework of the capability approach since an intact nature is a precondition for all life and, therefore, enables human capabilities. The other form of social value creation is the expansion of human capabilities which is discussed in the following section.

3.3.2 Valuable basic and complex capabilities

As mentioned earlier, social value creation from a capability approach perspective can be understood not only as the sustenance of ecological capacity, but also as the expansion of human capabilities. A limitation of the capability approach which also affects its applicability for the concept of social value creation is that it is underspecified with regard to valuable, relevant and worth attaining capabilities. The earlier mentioned question of whether deodorants and automobiles can be considered as satisfying social needs remains also within the capability approach framework if one does not specify which needs and capabilities are relevant and valuable. As Nussbaum (2003) asserts, freedoms have to be evaluated and desirable ones have to be specified since some freedoms are trivial, some bad, and some important. Hence, this section proposes an exemplary list of capabilities which are relevant for the concept of social value creation in social entrepreneurship. Further, it is suggested to differentiate between basic and complex capabilities as explained in the next subsections.
3.3.2.1 The expansion of basic human capabilities

One sub-category of the expansion of human capabilities addresses the expansion of basic capabilities. Basic capabilities are understood, as mentioned earlier, as “the ability to satisfy certain elementary and crucially important functionings up to certain levels” (Sen 1992: 45). These important achievements, which Sen (1992: 39) also calls ‘elementary’ achievements, includes being adequately nourished, avoiding escapable morbidity and premature mortality, and having adequate shelter. It can be assessed that extreme poverty is a situation which impedes access to many basic capabilities. Hence, being able to have income, either in the form of social aid from the state, or as earned income through work, can be considered in many cases as being a basic capability. However, depending on the context and the situation this capability may not be applicable, while other capabilities not yet known may be applicable. Hence, not all basic capabilities can be predicted in advance for all situations. However, it can be concluded that the absence of basic capabilities constitutes what researchers refer to as ‘pressing social problems’.

Social entrepreneurs who create social value by expanding the access to basic capabilities often address the needs of specific local target groups. For example, the Sankalp Trust addresses the basic needs of injecting drug users in the streets of Mumbai. All activities undertaken and services offered by the Sankalp Trust are centred around the well-defined local target group of homeless injecting drug users. The organisation helps individuals of the target group, amongst others, to access the opportunity to escape premature death through the provision of medication and HIV treatment. Many social entrepreneurs, especially those in developing countries, create social value by expanding basic capabilities for specific local and vulnerable target groups. Social entrepreneurs who address basic capabilities not only improve conversion factors but also often provide essential resources and goods such as shelter and medication to these vulnerable target groups.

3.3.2.2 The expansion of complex capabilities

The second sub-category of social value creation as expansion of human capabilities addresses complex capabilities. According to Sen (1992: 39), examples of complex capabilities include things such as having the opportunity to be happy, having self-respect, and taking part in the life of the community. These complex capabilities make life dignified and valuable. The absence of complex capabilities may not constitute pressing social problems, compared to the absence of basic capabilities, but can be understood as the meeting of social needs and goals.

SE organisations that expand complex capabilities often have larger target groups such as the neglected elderly or less privileged children rather than local vulnerable groups. One example of a SE organisation that promotes the expansion of complex capabilities is the Dignity
Foundation in India. The mission of the Dignity Foundation is to provide services for the elderly in urban areas in order to give them the chance to live a more fulfilling and active life instead of living a life of solitude and passivity. Dignity Foundation publishes a magazine for the elderly, and offers services such as a helpline, counselling services, computer training, and organises lectures and has established community centres where the elderly can meet, interact and organise projects. In contrast to social entrepreneurs who seek to expand basic capabilities, social entrepreneurs who seek to expand complex capabilities often focus on the improvement of conversion factors rather than on the provision of essential goods and resources.

A list of basic and complex capabilities that are relevant for social value creation in social entrepreneurship is presented in Table 3. This list is only of an exemplary nature and does not claim to be exhaustive. On the contrary, it is suggested that reality is too complex to cover all relevant basic and complex capabilities.

Table 3
Exemplary list of relevant capabilities for social value creation

<table>
<thead>
<tr>
<th></th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic capabilities</strong></td>
<td>Avoiding premature death, being adequately nourished, having access to basic healthcare, having adequate shelter, being able to move freely, being secure against violent assault.</td>
</tr>
<tr>
<td><strong>Complex capabilities</strong></td>
<td>Being happy, having self-respect, being able to be treated with equal dignity compared to others, not being discriminated, being able to enforce one’s rights, being able to participate in political decision-making.</td>
</tr>
</tbody>
</table>

3.3.2.3 Interrelationships between basic and complex capabilities

Having established an understanding of social value creation as the expansion of basic and complex capabilities, it is necessary to comment on the relationship between basic and complex capabilities. As Sen (2005: 40) mentions, capabilities are not discrete, but are interconnected and complementary and can, therefore, mutually strengthen each other (Ziegler 2010). For example, an economic empowerment program can help to bring the basic capability of working and earning income within the reach of the people of a community. This, in turn, improves the complex capability of having a sense of self-respect. Hence, it is not unambiguous where to draw the line between basic and complex capabilities especially because of their complementary and interconnected nature.
3.4 Conclusion

This chapter examined the applicability of the capability approach to the concept of social value creation in social entrepreneurship research. To this end, the capability approach and its limitations were described. Social entrepreneurship literature which has already applied the capability approach was presented. The advantages of a capability approach perspective on social value creation were discussed with regard to its strength in focusing on real opportunities and on conversion factors. Two problems with the application of the capability approach to social value creation were identified and discussed. The first problem was that the capability approach does not account for environmental issues while the second problem was that the approach is underspecified with regard to valuable and relevant capabilities. To overcome these problems, it was suggested that social value creation can be considered not only as the expansion of human capabilities but also as the sustenance of ecological capacity. Referring to Holland (2008), it was suggested that the sustenance of ecological capacity is a precondition for the existence of human capabilities and is, therefore, a meta-capability which enables all human capabilities. To overcome the problem of the capability approach as being too unspecific regarding which capabilities are relevant for social value creation in social entrepreneurship, it was suggested to distinguish between basic and complex capabilities. An exemplary list of capabilities was proposed. Figure 3 illustrates the capability approach perspective on the concept of social value creation as proposed in this chapter.

Figure 3
A capability approach perspective on social value creation

[Diagram showing a capability approach perspective on social value creation with the following elements: Social value creation, Sustaining, Expanding, Ecological capacity, Enables, Human capabilities, basic and complex]
3. Social value creation

The capability approach perspective on social value creation can contribute to a better understanding of the concept of social value creation in social entrepreneurship. It can be a useful conceptual tool to analyse the social value that social entrepreneurial ventures create. By mapping the basic and complex human capabilities that social entrepreneurial programmes make available to people, the qualitative comparison of the social value created by different social entrepreneurship ventures can be facilitated.

Having established an understanding of social value creation as one of the sub-concepts of social entrepreneurship on the basis of the capability approach, the next chapter presents and discusses the sub-concept of social innovation.