

**THE USE OF MANAGEMENT CONTROL SYSTEMS
IN SOCIAL ENTERPRISES**

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กิจการเพื่อสังคมได้เกิดขึ้นอย่างต่อเนื่องและเติบโตอย่างรวดเร็วโดยมีวัตถุประสงค์ในการแก้ไขปัญหาสังคมที่ซับซ้อนโดยการจัดหาสินค้าหรือให้บริการต่อสังคมที่ภาครัฐไม่สามารถจัดหาได้และภาคธุรกิจไม่ทำเพราะกำไรที่ได้ไม่เพียงพอ ในแถบภูมิภาคเอเชียตะวันออกเฉียงใต้ปัญหาสังคม เช่น ความยากจน การว่างงาน และ ความไม่เท่าเทียมกันทางสังคมและเศรษฐกิจเป็นปัญหาที่เกิดขึ้นและคงอยู่อย่างต่อเนื่องโดยเฉพาะอย่างยิ่งแค่วิกฤตการทางการเงินในเอเชียเมื่อปี 2540 ซึ่งกิจการเพื่อสังคมได้เริ่มเข้ามามีบทบาทในภูมิภาคนี้หลังจากวิกฤตการณ์ดังกล่าว

กิจการเพื่อสังคมไม่ใช่กิจการประเภทแสวงหาผลกำไรหรือกิจการที่ไม่แสวงหาผลกำไร แต่คุณลักษณะเฉพาะของกิจการเพื่อสังคมคือเป็นกิจการที่ดำเนินการเพื่อสร้างประโยชน์หรือผลกระทบที่ดีต่อสังคมในขณะที่เดียวกันก็ยังมีมุ่งเน้นการหากำไรเพื่อความอยู่รอดของกิจการ นอกจากนี้แล้วคุณลักษณะสำคัญอีกประการหนึ่งคือกิจการเพื่อสังคมมีส่วนเกี่ยวข้องกับผู้มีส่วนได้เสียหลายส่วน เช่น ผู้รับประโยชน์ทางสังคม หรือ ผู้ซื้อสินค้าหรือบริการ ซึ่งมีความต้องการที่แตกต่างกัน จากคุณลักษณะดังกล่าวทำให้การดำเนินงานของกิจการเพื่อสังคมมีแนวโน้มที่จะมีความขัดแย้งกันระหว่างวัตถุประสงค์เพื่อสังคมและวัตถุประสงค์ทางธุรกิจ ความขัดแย้งนี้เกิดขึ้นจากความต้องการที่จะบรรลุวัตถุประสงค์ทั้งสองประการได้พร้อมๆกันภายใต้ทรัพยากรที่จำกัด ในการจัดการกับความขัดแย้งดังกล่าวต้องอาศัยการบริหารจัดการที่เหมาะสมเพื่อให้กิจการเพื่อสังคมเติบโตและสร้างผลประโยชน์ทางสังคมได้ต่อเนื่อง เครื่องมือหนึ่งที่เป็นที่ยอมรับว่าใช้ในการทำให้บรรลุวัตถุประสงค์ได้ นั่น คือ ระบบการควบคุมทางการบริหาร (Management Control System-MCS) ดังนั้นวิทยานิพนธ์นี้จึงมีจุดมุ่งหมายที่จะศึกษาว่าระบบการควบคุมทางการบริหารสามารถช่วยจัดการความขัดแย้งระหว่างวัตถุประสงค์เพื่อสังคมและวัตถุประสงค์ทางธุรกิจได้หรือไม่

Anthony and Govindarajan (2014) ได้ให้คำนิยามของระบบการควบคุมทางบริหารว่าเป็นกระบวนการที่ถูกใช้โดยผู้บริหารเพื่อให้แน่ใจว่าพนักงานในองค์กรได้ปฏิบัติงานเป็นไปตามกลยุทธ์ที่ผู้บริหารได้วางไว้เพื่อให้บรรลุวัตถุประสงค์ขององค์กร Simons (1990) ได้ทำการศึกษาบริษัทที่ใช้กลยุทธ์ที่แตกต่างกันพบว่าบริษัทเหล่านั้นจะมีการใช้ระบบการควบคุมทางบริหารที่แตกต่างกันด้วย บริษัทที่ใช้กลยุทธ์ความแตกต่างด้านผลิตภัณฑ์ (Product Differentiation) จะใช้ระบบการควบคุมทางบริหารโดยมีปฏิสัมพันธ์กันระหว่างพนักงานมากกว่าบริษัทที่ใช้กลยุทธ์ผู้นำด้านต้นทุน (Cost Leadership) ตัวอย่างเช่น กระบวนการวางแผนระยะยาวในบริษัทที่ใช้กลยุทธ์ความแตกต่างด้านผลิตภัณฑ์จะมีการได้รอบกันระหว่างพนักงานและมีการทบทวนแผนงานทุกปีซึ่งบ่อยครั้งกว่าในบริษัทที่ใช้กลยุทธ์ผู้นำด้านต้นทุน อย่างไรก็ตามการศึกษาของ Simons (1990) เป็นการศึกษาในบริษัทที่ดำเนินกิจการเพื่อแสวงหาผลกำไรเป็นหลัก การนำผลการศึกษาดังกล่าวมาใช้กับกิจการเพื่อสังคมจะมีความท้าทายมากกว่าในแง่ที่ว่ากิจการเพื่อสังคมเป็นกิจการที่รวมวัตถุประสงค์และกลยุทธ์ที่แตกต่างกันไว้ในกิจการเดียวกัน นอกจากนี้ยังมีการศึกษาเกี่ยวกับระบบการควบคุมทางบริหารในการที่จะช่วยจัดการความขัดแย้งระหว่างวัตถุประสงค์ที่แตกต่างกันของกิจการเพื่อสังคมแต่การศึกษาเหล่านั้นเป็นการนำระบบการควบคุมทางบริหารเฉพาะส่วนเข้ามาจัดการ บางการศึกษาได้ให้หลักฐานเชิงประจักษ์เกี่ยวกับการใช้ระบบการควบคุมทางบริหารในการกิจการเพื่อสังคมแต่เป็นการใช้ในด้านอื่นที่ไม่ใช่การนำมาจัดการความขัดแย้งระหว่างวัตถุประสงค์ เช่น การนำระบบการควบคุมทางบริหารมาใช้ในการจัดการต้นทุนทางสังคมของกิจการเพื่อสังคม เป็นต้น

ความสำคัญของกิจการเพื่อสังคมส่วนหนึ่งจะขึ้นอยู่กับว่ากิจการเพื่อสังคมสามารถจัดการกับความขัดแย้งของวัตถุประสงค์ที่แตกต่างกันได้ดีเพียงใด ดังนั้นวิทยานิพนธ์นี้จึงจะทำการศึกษาระบบการควบคุมทางบริหารจะถูกใช้ในการจัดการความขัดแย้งระหว่างวัตถุประสงค์ที่แตกต่างกันของกิจการเพื่อสังคมได้อย่างไร โดยใช้กรอบแนวคิดของระบบการควบคุมทางบริหารของ Tessier and Otley (2012) ซึ่งเป็นกรอบแนวคิดที่ถูกคิดค้นมาจาก Simon's Levers of Control (LOC) เพื่อให้เกิดความชัดเจนของกรอบแนวคิดเพิ่มเติมขึ้น วิทยานิพนธ์นี้เป็นการศึกษาเชิงคุณภาพโดยใช้ข้อมูลจากกิจการเพื่อสังคมของไทยสี่แห่งซึ่งได้ให้ประโยชน์ทั้งในเชิงวิชาการและในเชิงปฏิบัติ ประโยชน์เชิงวิชาการจากวิทยานิพนธ์นี้ให้ประโยชน์ในการต่อออกการศึกษาที่มีอยู่เดิมเกี่ยวกับการใช้กรอบแนวคิดของระบบการควบคุมทางบริหารซึ่งที่ผ่านมาเป็นการศึกษาการวิจัยระบบการควบคุมทางบริหารในองค์กรที่แสวงหาผลกำไรหรือไม่แสวงหาผลกำไรอย่างใดอย่างหนึ่ง ผลจากวิทยานิพนธ์พบว่าในบริบทของกิจการเพื่อสังคมการใช้กรอบแนวคิดของระบบการควบคุมทางบริหารแบบครอบคลุมทุกระบบจะดีกว่าการใช้กรอบแนวคิดของระบบการควบคุมทางบริหารเฉพาะด้านโดยวิทยานิพนธ์นี้ได้ทำการปรับปรุงกรอบแนวคิดของ Tessier and Otley (2012) ให้มีความเหมาะสมกับการศึกษาการใช้ระบบการควบคุมทางบริหารในบริบทของกิจการเพื่อสังคมที่มากขึ้นด้วย สำหรับประโยชน์ในเชิงปฏิบัติผลของวิทยานิพนธ์นี้พบว่ากิจการเพื่อสังคมยังคงต้องเผชิญกับความขัดแย้งระหว่างวัตถุประสงค์ที่แตกต่างกันถึงแม้ว่าจะมีการวางแผนทางกลยุทธ์ที่เหมาะสมแล้วก็ตาม การวางแผน กลยุทธ์ที่เหมาะสมจะช่วยให้เกิดความชัดเจนได้บางส่วนและส่วนที่เหลือสามารถทำให้ลดลงได้ด้วยระบบการควบคุมทางบริหารที่เรียกว่าการควบคุมทางสังคม โดยเฉพาะอย่างยิ่งการใช้ระบบความเชื่อภายในองค์กร นอกจากนี้ผลของวิทยานิพนธ์ยังพบว่าระบบการควบคุมทางบริหารควรถูกใช้อย่างมีปฏิสัมพันธ์กันระหว่างผู้ใช้และผู้ถูกใช้ และการออกแบบแบบที่เกิดขึ้นเองจากภายในมีความเหมาะสมมากกว่าการใช้วิธีการออกแบบจากภายนอกในบริบทของกิจการเพื่อสังคม สุดท้ายของวิทยานิพนธ์ยังพบว่าในการใช้ระบบการควบคุมทางบริหารจัดการกับความขัดแย้งระหว่างวัตถุประสงค์ของกิจการเพื่อสังคมนั้น ระบบการควบคุมทางบริหารควรทำงานอย่างมีความสัมพันธ์กันมากกว่าการทำงานแต่ละระบบแยกจากกัน

สาขาวิชา	การบัญชี	ลายมือชื่อนิติ
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Varaporn Pothipala : THE USE OF MANAGEMENT CONTROL SYSTEMS IN SOCIAL ENTERPRISES .
Advisor: Asst. Prof. Prae Keerasuntonpong, Ph.D. Co-advisor: Prof. Carolyn Cordery, Ph.D.

Social Enterprises (SEs) have progressively grown, filling gaps where government and the market fail; that is, when public-sector goods/services are unsatisfactory to support social needs, and for-profit organizations cannot make sufficient profit in providing those goods/services (Austin, Stevenson, & Wei-Skillern, 2006; Haugh, 2005). SEs have emerged to tackle persistent and complex social problems. In Southeast Asia, many social problems (i.e. poverty, unemployment, social and economic inequality) have long been recognised and they persist overtime, especially since the Asian financial crisis in 1997, with SE being introduced in Southeast Asia after the crisis (Defourny & Kim, 2011; Kerlin, 2010).

SEs are neither purely profit-seeking nor purely not-for-profit organisations; the uniqueness of SEs is that they seek both social impacts or benefits for beneficiaries, as well as their own profits and involvement with many stakeholders who have different in demands. Therefore, SEs tend to have conflicts between their dual goals when they attempt to simultaneously maintain the dual mission with limited resources. SEs must manage the dual missions of financial sustainability and social goals (Doherty, Haugh, & Lyon, 2014; Ebrahim, Battilana, & Mair, 2014; Mair & Martí, 2006; Santos, 2012), and therefore require good management if they are to grow and have a larger impact on society. One tool for goal achievement used by management is Management Control (MC). This research questions whether the MC can be used to manage the tension between SE dual mission of SE.

Anthony and Govindarajan (2014) define MC as a process which is used by higher level managers to ensure that the lower-level managers will implement the organisation's strategies to achieve organisation's goals. Simons (1990) investigates companies with different strategies and states they will use MC differently. A company utilising product differentiation uses MC interactively more than a company with a cost leadership strategy. For example, the long-term planning process in the product differentiation company is used for debates among staff and revisited yearly, which is more frequent than in the cost leadership company (Simons, 1990). However, Simons's (1990) investigation, like much literature on MC, is in the for-profit area. Extending his theory to SE is likely to be challenging as there are different goals and strategies within the same organisation. Some literature implies the use of MC to manage the tension between dual missions but most of them apply an individual MC (Arjaliès & Mundy, 2013; Bagnoli & Megali, 2011; Battilana & Dorado, 2010; Chenhall, Hall, & Smith, 2015; Kraus, Kennergren, & von Unge, 2017). Some literature provides empirical evidence to use MC in the SE context but not for managing the dual mission tension. Instead, the literature mainly investigates how MC affects social capital in SE (Chenhall, Hall, & Smith, 2010; Vieira, Ha, & O' Dwyer, 2013).

The success of SEs depends partly on how the dual goals are managed, especially when there is a tension. This research explores how MC is used to manage the tension of SE. It draws on Tessier and Otley's (2012) MC framework. The framework is a revised version of Simon's Levers of Control (LOC) to improve ambiguities in the LOC. This dissertation reports on qualitative research, using data from four Thai SE cases. The research reveals both theoretical and practical contributions. The theoretical contribution extends literature on the use of MC frameworks which has previously mostly investigated either for-profit or not-for-profit organisations. The result shows that a comprehensive MC framework is preferable to an individual MC framework to investigate SE. A modification of Tessier and Otley's (2012) MC framework is also provided. The practical contribution is drawn from the findings that SEs face tension even though an appropriate strategic planning approach is selected. The residual tension is resolved by MC - social control, the belief system in particular. Drawing from the results, it is preferable to used interactive MCs and intrinsic rewards in SEs. Lastly, the dissertation suggests that the MC should operate as a system rather than a package to manage dual mission conflicts.

Field of Study: Accountancy

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Student's Signature

Advisor's Signature

Co-advisor's Signature

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CHAPTER 1 INTRODUCTION

1.1 Introduction

In recent years, many forms of organisation have been introduced in order to respond to global dynamic social and economic changes. The dynamic changes create social problems so complex that a single organisation form alone cannot relieve the social problems, resulting in a hybrid organisation concept being established (Sakarya, Bodur, Yildirim Öktem, & Selekler-Göksen, 2012; Trist, 1983; Waddock, 1991). The hybrid organisation is a combination of the conventional types of organisation, called for-profit, public and third sector (Billis, 2010), with Social Enterprise (SE) being one form of hybrid organisation that crosses two or more of these sectors, as it has dual missions of business and social goals (Doherty, Haugh, & Lyon, 2014). SEs are established to fill gaps relating to government and market failure – that is when public-sector entities provide no or inappropriate service, for-profit entities cannot make sufficient profit from such goods or services to offer them, and third sector/not-for-profit organisations cannot be self-sustaining in providing these goods or services (Austin, Stevenson, & Wei-Skillern, 2006; Haugh, 2005; Kerlin, 2010).

SE has emerged to tackle persistent and complex social problems. Even though a single SE cannot suddenly resolve all social problems, SEs are claimed to have an important role as part of social problem solutions (Dart, 2004). The emergence of SE is widespread in many regions worldwide, including Europe, the United States (US) and Asia (Defourny & Kim, 2011; Defourny & Nyssens, 2008; Kerlin, 2010; McKinsey&Company, 2016). In the UK, the number of SEs has increased (i.e. from 5,300 SEs in 2003 to 62,000 SEs in 2007) (S. Teasdale, Lyon, & Baldock, 2013), but there is less data on Asia. In Southeast Asia, many social problems (i.e. poverty, unemployment, social and economic inequality) have long been recognised and persist overtime. The social problems were inflated after the Asian financial crisis in 1997, with SEs being introduced in Southeast Asia after the crisis (Defourny & Kim, 2011; Kerlin, 2010).

Thailand, which is a country in South East Asia, has traditionally faced vast socioeconomic inequality and was also affected by the crisis (World Bank, 2018). Inequality is manifest throughout Thai history through its governance, economy and social structure. After the Asian financial crisis, a concept of self-sufficiency emerged with the Thai government encouraging the promotion of grass-roots organisations, called community enterprises (Kelly, Yutthaphonphinit, Seubsman, & Sleight, 2012). In later years, other social organisation forms were developed, including SE to serve social needs. The Thai government acknowledges that SEs are able to assist in solving inequality. Consequently, the SE was introduced in the National Economic and Social Department Plan (#11), starting from 2012. After that, the Thai government undertook many attempts to facilitate SE formation through supporting legislation, releasing the SE Act in 2019.

SE is essential as part of the solutions to lessen complex social problems, inequality in particular in Thailand. Therefore, the survival of SE is encouraged so that SEs can create continuous social impacts. The management of the dual missions (social and business) in such hybrid organisations can affect SE sustainability. It is commonly believed that the combination of the key characteristics of dual missions, along with a need for broad stakeholder involvement, can be conflicting and complex (W. K. Smith, Gonin, & Besharov, 2013). The tension between different missions is high when each is important and cannot be easily combined. High tension will force SEs to tradeoff their goals so that they are not achieving their original goals, not being sustainable and/or producing less impact. For example, a SE, which operated home care services, went into bankruptcy because it over-emphasised its social objectives (Naszalyi & Slama-Royer, 2016). The home care service insisted on retaining a low-price and high-quality service to elderly and disabled people which meant that it could not cover increases in labour costs mandated by the government (Naszalyi & Slama-Royer, 2016). On the other hand, an example can be provided when SE over-emphasises its business objective. Epstein and Yuthas (2010) studied a microfinance which sought to increase its profit by becoming a regulated financial institution. Its compliance to financial regulation led to a barrier against the poor accessing financial resources, which meant its social objective was unable to be met (Epstein & Yuthas, 2010).

However, there is evidence that when SEs manage their dual mission, they will continuously produce social impacts. A well-established SE in Thailand, which has operated for more than 30 years, can produce social impacts to increase disadvantaged people's income and educational opportunities. The SE increased 100% of its social beneficiaries' income from 1988 to 2016, while the percentage of social beneficiaries, gaining a bachelor degree, increased from 0.2% in 1993 to 7.9% in 2017 (Mae Fah Luang Foundation under Royal Patronage, 2017).

Pratt and Foreman (2000)'s framework of multiple organisational identities can be used to demonstrate the degree of tension in SE as the multiple identities can be compared with the dual mission in SE. Their framework is also part of a body of literature investigating how to manage the tensions between SE missions. Pratt and Foreman (2000) suggest general propositions to respond to an organisation with multiple identities, namely, compartmentalisation, deleting, aggregation and integration. Some literature has applied Pratt and Foreman (2000)'s proposition but most of them propose theoretical analyses of possible solutions, rather than empirical evidence (Cornforth, 2014; Moizer & Tracey, 2010; W. K. Smith et al., 2013). Of the few who provide empirical evidence, Chenhall, Hall, and Smith (2015) used a Not-For-Profit organisation as a case study to provide caveats on Pratt and Foreman (2000)'s multiple identities response approaches to manage the organisational tensions. For example, compartmentalisation was temporarily effective for a time when the conflict was less salient whereas aggregation caused confusion among organisational members with different identities and with integration it was difficult to develop a new combined identity. In addition, surveys have also been conducted identifying critical success factors (CSF) of social enterprise, with a key factor being management competency, i.e. how to lead the SE to achieve its goals (Wronka-Pośpiech, 2013, 2016). A key tool for goal achievement used by management is Management Control (MC). Therefore, it is anticipated that competent managers can use MCs to manage the dual mission of SE.

The MC definition used here is based on previous literature, starting with Anthony (1965)'s definition. Anthony (1965) is among the first scholars to attempt to define MC. Other scholars' definitions are included in this dissertation to construct an appropriate

definition of MC to answer the research question. Consequently, in this dissertation the MC is defined as “any activities, including formal and informal activities which provide feedback or information to managers to take further actions both for decision making or to direct behaviour, including cooperative behaviour throughout an organisation to achieve organisation’s strategies and goals.” This is further described in Chapter 4.

Simons (1990) investigates the MC in different types of businesses and concludes that companies with different strategies will use MC differently. His investigation, like much literature on MC, is in the for-profit area. Extending his framework to SE is likely to be challenging as there are different goals and strategies within the same organisation. Some literature implies that MC can manage the tension between dual missions, but most of them apply an individual MC (Arjaliès & Mundy, 2013; Bagnoli & Megali, 2011; Battilana & Dorado, 2010; Kraus, Kennergren, & von Unge, 2017). Smith et al., 2013 provide suggestions on how to solve performance tensions by clearly defining the measurement of outcome. However, a SE’s performance measurement is difficult because of its hybrid form, combining both social and business objectives (Austin et al., 2006). A single measurement system cannot capture SE’s dual mission performance (Speckbacher, 2003). Bagnoli and Megali (2011) proposed a combination of performance measurement to measure business social and institutional legitimacy, stating that a SE should perform all of these measurements to capture all SE objectives. Nevertheless, the costs and benefits of implementing multidimensional performance measurement, and the ensuing control system must be considered. In addition, setting performance targets, especially for social performance, is difficult because the target is uncertain and involves many stakeholders (Polonsky, 2016). Consequently, SE performance measurement is challenging. Nonetheless, performance measurement is important to monitor the organisation’s progress towards the goal and it is a particular kind of Management Control (MC), which is included in recent literature. However, there is less exploration of other MCs which may substitute or complement the performance measurement system in SE.

Some literature provides empirical evidence to use MC as a system in the SE context but not for managing the dual mission tension. Instead, the literature investigates how

MC as a system affects social capital in SE (Chenhall, Hall, & Smith, 2010; Vieira, Ha, & O' Dwyer, 2013). Vieira et al. (2013) examined how social capital, namely bonding and bridging forms, can resolve the tension of SE dual goals, and how MC affects the use of social capital. The study found that the formal controls (i.e. budget and performance reports) enhance the bonding form in SE, leading to resolving the conflict between the goals (Vieira et al., 2013). In contrast, Chenhall et al. (2010) found a different result when investigating a SE-like organisation. They suggested that formal control (i.e. budgets) inhibited the bonding form in the organisation (Chenhall et al., 2010). Even though these studies provided mixed results on the effect of MC, they do not reveal the use of MC to resolve the tension of dual goals.

Collectively, to fill the research gap highlighted above, this dissertation aims to investigate the use of MC to manage the tension between business and social goals. The specific research question addressed is: “How can the MCs be used to manage the tension between the dual missions of business sustainability and social goals.”

To answer the research question, qualitative research, a case study in particular is conducted. The case studies will be selected with appropriate criteria, for example, selected cases must match with the SE definition developed in this dissertation (see below and Chapter 3). The research scope of this dissertation is explained in the next section.

1.2 Research Scope

In the emergence of SE, there was a lack of SE definitions, and many authors responded to this research gap by developing different SE definitions (Austin et al., 2006; Defourny & Nyssens, 2008; Kerlin, 2006, 2013; Sullivan Mort, Weerawardena, & Carnegie, 2003). Even though many scholars address the SE definition, it has changed over time and in different contexts, suggesting the definition should be flexible to cover these (Schneider, 2016). In this dissertation, the SE definition uses a continuum concept, proposed by Schneider (2016) to ensure SEs' essential characteristics are covered. The definition of SE is developed in Chapter 3 of this dissertation and will be used to set the scope of SEs to be investigated. In this dissertation, SE is an organisation

taking any legal form, using business principles for its operation, having autonomous decision making for its resource allocation and distributing most of its benefit to meet social needs (See Chapter 3). Furthermore, the selected SEs will be well-established SEs to ensure that they can sustain their business and continuously create social impact.

The SE to be investigated in this dissertation, will be selected from SEs operating in Thailand. Therefore, the SE should reflect the Thailand context in which inequality problems have persisted for centuries. Chapter 2 shows that inequality in Thailand has developed over the history of governance, economy and societal system since the country has a ‘king and commoner’ relationship, with inequalities between people, especially urban and rural citizens. Rural people are the most disadvantaged class in Thailand (Kelly et al., 2012; Nuttavuthisit, Jindahra, & Prasarnphanich, 2015). Consequently, the SEs to be investigated, will be the SEs which are anticipated to lessen rural people’s inequality, for example, SEs with high involvement of rural communities.

The MCs of these SEs will be investigated using the MC definition above and developed in Chapter 4. Furthermore, the dissertation applies the MC conceptual framework proposed by Tessier and Otley (2012), for further investigation.

As outlined in Chapter 5, this dissertation utilises case studies for the research method. In-depth interviews will be conducted with participants in multiple cases of SE. Other approaches, including archival data and public information review, and observation, will be performed to provide triangulation of the data. Computer software (NVivo) will be used for data management, including data storage and analysing.

The dissertation attempts to provide both academic and practical contributions. This dissertation extends SE literature by applying a specific tool, called management control to an in-depth investigation to understand how to use the tool effectively to manage the tension between dual missions. On the other hand, the majority of MC literature investigates the use of MC in a single mission organisation either For-Profit or Not-For-Profit organisation. The dissertation contributes to MC literature by

applying the For-Profit MC framework to a hybrid organisation. In addition, the dissertation provides an insight into how successful and well-established SEs use MC to manage the tension between dual mission. Other SEs, including newly emerging SEs and existing SEs, can adapt the results from this research to be suitable for them.

1.3 Structure of the Research

The structure of the research is:

- Chapter 1 presents the introduction, consisting of research motivation, research question in section 1.1. and scope of the research including research method and expected contributions (section 1.2).
- Chapter 2 reveals the Thailand context and explains the development of inequality in Thailand and how SE can be part of the inequality solution.
- Chapter 3 develops a SE definition, starting with a hybrid organisation concept, underpinning the definition development. Also, in this chapter, the SE Act of Thailand will be considered, ensuring that the SE definition developed concurs with the SE Act.
- Chapter 4 develops a MC definition and the MC conceptual framework used in this dissertation, as well as the relevant MC literature.
- Chapter 5 exhibits the research methodology, method and detail for the research conduction.
- Chapter 6 reveals the selected cases' contexts by chronological order of SE operation, whereas Chapter 7 provides the dissertation findings, including the MC used by each case. It categorises those MC into the MC conceptual framework.
- Chapter 8 discusses the research findings and extends the MC conceptual framework for use in SEs, based on the results from this dissertation.
- Chapter 9 is the dissertation conclusion which summarises the findings and limitations, and reflects on the implications for practice and theory.

CHAPTER 2 THAILAND CONTEXT

2.1 Introduction

This chapter aims to set the context for this study by describing information about Thailand. It starts with Thai history, including its governance system, economy, and society, followed by the landscape of social organisations and social enterprise. The Thai history section consists of series of eras, namely Sukhothai, Ayutthaya, and Rattanakosin, including both during and after the governance revolution. The section also includes the Asian crisis, the period after the crisis and political uncertainty. Different governance systems were developed through these eras: paternalism, absolute and constitutional monarchy. The governance system shapes Thai society in certain ways, and governance, economic, and societal aspects in each era are discussed. This is because the Thai social structure which induces social inequalities among Thai people has given rise to the need for social organisation, including social enterprises.

The landscape of social organisation, including social enterprise, is in Section 2.4 - 2.5, which explains this linkage between Thai history and the emergence of social organisations, along with the differences among each type of social organisation. This section emphasises many aspects of the social enterprise including promotional plan, which promotes the emergence of social enterprise. The last section (Section 2.6) of this chapter explains the law and regulations planned for social enterprise in Thailand. The law and regulations are important factors to enhance social enterprise emergence and sustainability.

2.2 A History of Thailand

Thailand is a country, located in the middle of the Indo-China peninsula, South-East Asian area. Over the centuries, the country has been ruled by monarchies, although their power has diminished in recent times. The governance, economic and social aspects of each successive era are now discussed, particularly focusing on inequalities that may influence the rise of social enterprises.

2.2.1 Sukhothai (1238-1378) and Ayutthaya (1350-1767)

2.2.1.1 Governance

The Kingdom of Sukhothai was a national capital city of Thailand. The Phra Ruang Dynasty ruled the Kingdom. During the reign of this dynasty, paternalism was used as the governance system. Kings were not regarded as gods but were treated as fathers of their people. The sovereignty was prosperous, especially in the King Ramkhamhaeng era (1279-1298) (Bupasiri, 2015; Imtem, 2016). He invented the Thai alphabets, which were an important foundation for the economy and culture of Thailand in the succeeding years. The kingdom declined following King Ramkhamhaeng's death. Because of the weakness of King Ramkhamhaeng's successors, the kingdom was separated into several independent areas and finally collapsed.

After the Sukhothai era, the Kingdom of Ayutthaya was established by the U-Thong Dynasty. Unlike Sukhothai, kings were powerful and had absolute power to govern the kingdom (Absolute Monarchy). The Ayutthaya kingdom consisted of many provinces, each governed by its own head. However, the overall government was under the king's administration (LePoer, 1987). Ayutthaya was unified for 417 years and was ruled by many prosperous dynasties. The accomplishments included the announcement of a national religion, Buddhism, and the establishment of a new governance system, consisting of four fundamental ministries, i.e. interior, justice, finance and agriculture. This governance system was initiated in order to assemble the management of the provinces. Besides, the system of feudalism (Sakdina in Thai) was also employed in this era. In the Sakdina system, the king allocated land/fields to nobles or governors, including governors in remote areas in exchange of the governance service. These nobles/governors also benefited from the revenue generated from the allocated land (LePoer, 1987). Feudalism led to the emergence of different social classes, which will be discussed in the society sub-sections below. Furthermore, the kingdom was expanded through colonisation, and international trade was introduced in this era. However, because of the excessive expansion of the kingdom, the central government failed to control the expanded area effectively, resulting in the distant areas proclaiming themselves as independent states and the kingdom finally lost its unity. In 1767,

Ayutthaya lost to Burma in a Burmese–Siamese War, leading to the collapse of the kingdom altogether (LePoer, 1987).

2.2.1.2 Economy

Thailand's economy has been an agriculture-based for centuries. In the Sukhothai period, the economic structure was a self-sufficient economy, growing crops for internal consumption (Sriwichailampan, 2011; Theerasasawat, n.d.). Some, but not much, excessive agriculture output was generated in exchange for protection by (or resources from) the patron in the paternalism system (Sriwichailampan, 2011; Theerasasawat, n.d.). A barter trading system was also used during the Sukhothai era. Later in the Ayutthaya era, the economic structure remained similar to the Sukhothai, but, by then, in order to pay the so-called tax to the patron in the absolute monarchy system, farmers needed to harvest beyond their own consumption needs (Sriwichailampan, 2011; Theerasasawat, n.d.). The surplus from agriculture production did not belong to the agrarians because they were not the landowners in the Sakdina system (Hewison, 1989). All the land belonged to the king and the king had the right to allocate that land to designated persons, including royal family members, nobles or province governors (LePoer, 1987). Therefore, the economy was a royal monopoly, meaning that the king had the right to decide what to do with the surplus, either to sell them to the merchants or keep it as the king's capital. Kings also owned labourers through the corvee system, which allowed them to demand unpaid services from the commoners. After losing the war against Burma, the Sakdina system and royal monopoly still existed but they were less intense because of the openness of the country to the west (Hewison, 1989). The royal monopoly declined, especially when Thailand started to engage in a commercial treaty.

2.2.1.3 Society

In Sukhothai and Ayutthaya, kings were at the top of the social class. The difference was that in the Sukhothai era, the social class was simply divided into the king and his commoners, consisting of Thai and migrant Chinese who were perceived as an inferior class to Thai commoners. A complicated structure emerged in Ayutthaya. A new class, positioned right under the king, appeared, resulting from the Sakdina system. This class

included royal family members, nobles, and province governors. The class was superior to the commoners but inferior to the king. The relationship between the king and his commoners was changed according to the change of governance system, i.e. from paternalism to absolute monarchy.

2.2.2 Rattanakosin (1782-1932)

After the Kingdom of Ayutthaya, Thailand was briefly reigned by King Taksin, who was a military leader of the Ayutthaya troop. Later in this brief period, the sovereignty fell onto the Chakkri Dynasty.

2.2.2.1 Governance

In this period, Western influence grew because of the European policy of expansion, called imperialism. In King Rama IV's reign (1851-1868), Thailand made several contacts with Western countries, including Britain and France (Paitoonpong & Abe, 2004). The Western influences changed the governance system, economy, and society, especially following a commercial (trade) agreement, called the Bowring Treaty (1855). The treaty mostly allowed free trade of commodities and extraterritorial jurisdiction between Thailand (Siam) and Britain (Tarling, 1962). Even though the governance system remained as an absolute monarchy, the extraterritorial jurisdiction in the treaty was perceived as reducing the king's governance power. The free trade initiated many more contacts with the West. This situation forced Kings Rama IV and V (1868-1910) to reform the governance system (Kosaiyawat, 2004; Paitoonpong & Abe, 2004; Sareephol, 2012) to centralise the administrative power (B.J. Terwiel, 1991; LePoer, 1987; Suitkawatin, 2002). The reformed system consisted of Central, Provincial and Local Administrations and created many ministries with different responsibilities (Suitkawatin, 2002; Wyatt, 1984). The king was the chairperson of the administrations (LePoer, 1987; Suitkawatin, 2002). Some literature argues that this refinement merely redistributed power among royal and noble family members to preserve the control of the country (Wyatt, 1984). However, this argument could be exaggerated. During that period, managing the administrations needed knowledgeable persons and only the king and royal family members were educated (the education opportunities will be discussed in the Society topic of this section.) For this reason, it

may not have been the king's primary intention to preserve the power to control the country, but rather to make managing the country more effective. A salary system was also introduced as part of this governance reform. Those who worked for the king, including governors in remote areas and staff members in the reformed governance system were now paid a salary. The salary system aimed to replace the Sakdina system, in that the salary replaced the prior expectation of land allocation.

2.2.2.2 Economy

The Western influences, especially the free trade policy in the Bowring Treaty, reformed the Thai economy during this period (B.J. Terwiel, 1991; Tarling, 1962). The royal monopoly on trading was revoked because of the Treaty (LePoer, 1987). The free trade allowed Thai people to directly sell commodities, such as rice, to foreigners, especially to Britain, according to the Treaty (B.J. Terwiel, 1991; Kosaiyawat, 2004). The free trade induced additional economic activities, meaning that Thailand needed to put more effort into production for export, instead of merely self-sufficient production (Kosaiyawat, 2004; Siriprachai, 2009; Theerasasawat, n.d.). Monetization was introduced as an exchange tool instead of the barter system (Kosaiyawat, 2004), which was a result of Western demands for trading exchange (Hewison, 1989). The Treaty also made changes to the tax system, introducing the same flat rate of import and export tax (B.J. Terwiel, 1991; Kosaiyawat, 2004; Wyatt, 1984), resulting in a reduction in government income, as the previous tax rate was from several commodity types rather than one tax rate. The government compensated for the commodity tax reduction by developing a sin tax (allowing, but taxing, opium and gambling) (Kosaiyawat, 2004).

During this period, the Chinese attained a vital role as merchants and businessmen (Kirsch, 1965). King Ramkhamhaeng had brought the Chinese into the Sukhothai Kingdom as artisans (LePoer, 1987). The Chinese remained in the kingdom as labourers and small traders (Siriprachai, 2009). Thailand welcomed these Chinese immigrants because the country needed the labour force to rebuild the country after the collapse of the Ayutthaya Kingdom (Onozawa, 2002). In the reign of King Rama III (1824-1851), in addition to being the labour force, the Chinese acted as tax collectors and intermediaries for domestic trading (Kosaiyawat, 2004; Onozawa, 2002). Later in the

reign of King Rama IV, the Chinese were welcomed to fill in the additional trading activities when Thailand engaged in the Bowring treaty (Kirsch, 1965). King Rama IV encouraged the Chinese to take an entrepreneurial role in commercial activities because the government did not desire to distress the Thai people to change their role from farmers to entrepreneurs (Kirsch, 1965). Kirsch (1965) implied that allowing the Chinese to be entrepreneurs was not a threat to the Thai economy at that time.

Even though the Thai nation had more income from trading activities, the wealth still circulated within specific groups of people, such as the royal family, nobles and Chinese (Paitoonpong & Abe, 2004; Sriwichailampan, 2011). The reason is that most of the land belonged to the king and royal family members whereas commoners had to rent the land for rice growing (Paitoonpong & Abe, 2004; Sriwichailampan, 2011). The source of Chinese wealth was from commercial activities, including rice operations and their middleman status. Other commercial agreements were made to other foreign countries, including the United States and France (LePoer, 1987; Wyatt, 1984).

Moreover, additional trading activities needed additional skilled and unskilled labour, which influenced changes in education and labour control. Collectively, the changing economic system affected Thai society, which will be discussed next.

2.2.2.3 Society

The openness of the country to the west was the origin of societal changes during this period. Thailand increasingly had contact with foreigners, starting with the Bowring Treaty. In order to streamline the communication between Thai and foreigners, Kings Rama IV and V realised that the English language and education were important (Kosaiyawat, 2004). In the reign of King Rama V, the formal school system was founded because the reformed governance system required educated persons to fill positions in the Administration and Bureaucratic system (Kosaiyawat, 2006; LePoer, 1987). Most students in the formal school were royal family members and it was the first time for girls to be admitted to the formal education system (LePoer, 1987). However, formal education remained limited to royal family members and nobles. Commoners could be admitted to the formal education only with the king's permission,

although some informal education was available for commoners at temples. Furthermore, as the economic changes demanded additional labour force for commodity production, King Rama IV responded to such demands by reducing the time for commoners to serve as unpaid labourers (*corvée*) and allowed them to be hired as paid labourers (Kosaiyawat, 2004). The reduction of unpaid labour time eventually led to the cancellation of the serf system in the reign of King Rama V. He also created an Act of compulsory military service, which led to the emergence of professional military service (Kosaiyawat, 2006). All of these reforms regarding the labour control system and the salary system in the reformed governance system can be linked to the reduction of feudalism (Sakdina) (LePoer, 1987). With these changes, the society became more modern.

The economic changes also affected society. As mentioned earlier, the Chinese became more critical because of their business activities and intermediary role. In addition, the commoners who engaged in business activities became wealthier. A new class, called the middle class, appeared (Kosaiyawat, 2004; Onozawa, 2002). The newly emerged class, mostly the Chinese, seemed to be superior to Thai commoners because of their wealth, which was the origin of middle-class emergence. The middle class is a crucial part of the development of capitalism in Thailand's later era (Hewison, 1989). In the economy, there were many changes after the Bowring Treaty, including greater agriculture production for exporting to Western countries. Even though this change of production style could not fully be regarded as capitalism, it represented the introduction of the capitalism concept in Thailand (Hewison, 1989). Capitalism affects the social class in Thailand by giving rise to a new middle class.

Previously, class in Thailand was divided into the king and the commoners' class (Onozawa, 2002), which was innate inequality. The Bowring Treaty and the openness of the country led to the emergence of a new class, middle class. Wealth inequality from the newly emerging class led to social problems in King Rama IV's period, such as robbery or gambling (Kosaiyawat, 2004).

The education in this period could be considered to both widen and narrow the gap of inequality between the classes. The education widened the gap because it was limited to the specific groups (the king, royal family and nobles), and it made the gap narrower because it allowed commoners to change their class to the superior class. For example, commoners who knew the English language obtained better opportunities to engage in foreigner communication and this could lead to more trading activities. Another example is that educated commoners could be recruited to become governance administrators in the ministries. Therefore, education was able to act as a class moving factor from the lower to the higher class. However, compared to wealth, education was a more time-consuming factor for class moving.

In addition, as discussed above, most of the lands belonged to the king and royal family members and rice was the main economic commodity. To access the rice-growing area, the merchants needed a good connection with the landlord. The patron-client system involved the king (landlord) and Chinese merchants.

Another class, which silently emerged, was the military class. This class effectively cancelled the existing labour control system. However, the military class was modest during this period because it derived from the commoners.

2.2.3 The Revolution (1932-World War II 1945)

The great revolution occurred in King Rama VII (1932). The cause of the revolution derived from various reasons. In the previous section, the role of education was discussed as a necessity for country openness. Accordingly, some Thai people had opportunities to study abroad and learn about other governance systems, such as democracy, from other countries. These people mostly returned to serve as civil servants and in military positions in the government administrations, and they forced a reconsideration of the absolute monarchy system (Kasetsiri, 2011; Sareephol, 2012). Also, the economic recession after World War I led to government spending cutting back on civil servants and military personnel (Hewison, 1989; LePoer, 1987; Paitoonpong & Abe, 2004). These forces induced the revolutionary group, called “Khana Ratsadon” or People’s Party to revolutionise the government system.

2.2.3.1 Governance

After the reign of Kings Rama V and VI, an immense change occurred in King Rama VII (1932) (LePoer, 1987), as the absolute monarchy era ended. Thailand changed the governance system to a constitutional monarchy in which the king and royal family members served as symbols and had limited authority under the legal framework. The country was ruled by the group of people in the executive, legislative and judiciary branches. With this reform, the rulers or leaders of the country were extended beyond the royal family members to civil servants and military officers. However, many conflicts occurred during the revolutionary period, mainly within the governors (LePoer, 1987; Sareephol, 2012). The conflicts were among civil servants and military who held conflicting ideas. The liberals wanted power to be granted to labourers and everyone to be equal (Hewison, 1989). The extreme liberal group, the civil servants, urged changes to the governance system, influenced by communist concepts to eliminate classes in Thailand, whereas the conservative group sought gradual changes to the governance system (LePoer, 1987; Sareephol, 2012). Therefore, a compromise governance system (which remains today) preserved the constitutional monarchy. The military class was the winner of the conflict and became more important than in the previous era.

2.2.3.2 Economy

It was mentioned in the previous Rattanakosin era that the Chinese gained an important economic role as the merchants and businessmen. The Chinese had been welcomed to the country to fill in the needed positions during the reigns of Kings Rama III and IV. The Chinese played an important role as entrepreneurs (LePoer, 1987; Siriprachai, 2009). Before World War II, most of the earnings from the Chinese were sent to their hometowns in China. Nevertheless, due to the War, transferring money was difficult (Siriprachai, 2009). As a result, the Chinese decided to allocate large amounts of their earnings for investment or doing business in Thailand (Siriprachai, 2009) and thus they gained an essential role in the Thai economic structure.

Because of the additional wealth of the Chinese, educated Thai people perceived the (local) Chinese as being responsible for causing Thailand to lose economic control and

thus, the Chinese were an economic threat to the country. Therefore, the anti-Chinese emerged from this nationalistic attitude. The nationalist attitude began in King Rama VI (LePoer, 1987) and continued intensely after the revolution under the supervision of Marshal P. Pibulsongkram (1932-1942) (Kasetsiri, 2011; Sareephol, 2012). Many government policies were enacted in order to prevent the Chinese, including other foreigners, from undertaking or owning businesses. For example, certain types of occupation (i.e., rubber plantation) were preserved for Thai nationals only and there was a special tax rate solely applied to foreigners (Wyatt, 1984).

Additionally, in order to retrieve economic control, the government established a state-owned enterprise to compete with Chinese businesses, as could be seen in rice operations (Hewison, 1989; Wyatt, 1984). This attempt implied state capitalism (Sareephol, 2012).

However, this attempt had the loophole since the Chinese, who sought to do business in Thailand, could 'lean' to bureaucrats or government officers to facilitate their business operations (Sareephol, 2012). For example, a business with connections to a government officer was less regulated by the government (Hewison, 1989). Bureaucratic capitalists emerged for this reason.

Not only experiencing the change to state capitalism, but Thailand's economic structure also changed to engage with the industrial establishment, such as the establishment of factories of rubber products or sugar (Hewison, 1989). The change in economic structure was induced by the incentives to reduce import transactions (Hewison, 1989).

Collectively, the state-owned enterprise and industrial establishments required a large amount of capital for operations. This requirement led to the emergence of a capitalist class, especially bankers, which will be further discussed.

2.2.3.3 Society

After the revolution, the king and royal family became less important because of limitations on their power. The new middle classes emerging during this period were

bureaucrats and military. The Chinese were still essential but changed their business patterns to lean onto government officers due to the nationalistic ideals. The dependence between the bureaucrats, military and the Chinese demonstrates the patron-client system.

Many conflicts within the elite governance members occurred very often in the early revolutionary period. The Thai people had less involvement in this new governance system because they lacked proper education (Wyatt, 1984) and did not fully participate in the democratic system. Therefore, the governance system was easily dominated by specific groups of people, such as the military or bureaucrats, due to the lack of a cross-checking system from the people. For example, fewer than 10% of a total voters exercised their voting rights in the first election in 1933 (Wyatt, 1984). As a result, in the early days of the revolution, the new system did not represent the needs of the Thai people in terms of participation in country governance. Additionally, the nationalistic attitude induced the patron-client system and created more inequality both in power and wealth in Thai society. However, the actors in the patron-client system were slightly changed to be military/bureaucrats and merchants, instead of kings and merchants as mentioned in the period before the revolution.

2.2.4 Post-Revolution 1946-1992 (Post WWII)

During World War II (WW II) (1939-1945), Thailand was forced by Japan to join the Axis powers, mainly consisting of Germany, Italy and Japan (Wyatt, 1984). The Thai leader during this period was Marshal P. Pibulsongkram (LePoer, 1987; Wyatt, 1984). The War ended with the defeat of the Axis powers. Afterwards, Thailand was forced by the Allied powers to pay war reparations. The United States (U.S.) played an important role as a negotiator regarding the cancellation of the reparation (Kasetsiri, 2011). The U.S. also influenced Thailand in specific ways, especially the economic system, by providing economic and military funding assistance (Kasetsiri, 2011; LePoer, 1987). The government administration changed many times after WW II. Disagreements between the military and bureaucrats mainly caused the changes. Marshal P. Pibulsongkram was forced to leave the government office; subsequently,

the country was led by civilians for a year (1945-1946) before military personnel returned to power (Kasetsiri, 2011; LePoer, 1987).

During the civilian rule, the constitution was amended in 1946 to forbid government officers, including bureaucratic officers and military personnel, from being politicians (Kasetsiri, 2011). The purpose of this amendment was to prevent conflicts of interest of these government officers (Kasetsiri, 2011). When the country's governance was seized by military power in a coup in 1947, an interim constitution was enacted to cancel the forbidden agenda to allow government officers to be politicians (Kasetsiri, 2011). These amendments demonstrated political uncertainty and in-group favouritism. Even though the governance of the country returned to the civilian group under the supervision of Mr Khuang Aphaiwong (1947-1948) after the military coup, genuine power remained within the militant group (Kasetsiri, 2011; LePoer, 1987). The people had low involvement in the governance system during this period (Kasetsiri, 2011). The coalition of the military was broken into factions, which finally led to conflict between the significant military officers, Marshal P. Pibulsongkram and Marshal Sarit Thanarat. Sarit successfully undertook a military coup in 1957. The following sections will discuss the governance, economy, and society after World War II.

2.2.4.1 Governance

The governance system during the Sarit regime outwardly remained unchanged as Thailand remained in the constitutional monarchy system. However, real governance power was held by the military dictatorship (LePoer, 1987; Sareephol, 2012). Sarit centralised decision-making power to his office (LePoer, 1987). Despite the dictatorship and governance centralisation, other changes affected the economic and social system in Thailand during this period, including the emergence of National Economic and Social Development Plans (LePoer, 1987). These will be discussed in the next sub-sections. Sarit remained in the government office until his death and his successor was Marshal Thanom Kittakachorn (LePoer, 1987). In the regime of Thanom, there was a major civil protest, caused by his corruption and dictatorship (LePoer, 1987). This vexation led to a civil protest in October 1973 (Connors, 1999; Yimprasert, 2010),

and this was the first political rally, gathering many classes of people beyond the military and bureaucrats (Siriprachai, 2009). Afterwards, Thailand's political situation changed, and Thai people had more participation in governance, as can be seen in people's participation in elections (LePoer, 1987). However, the political uncertainty still occurred and its effect will be discussed further.

2.2.4.2 Economy

It was noted in the earlier section that state-owned enterprise and industrial sectors were emphasised as government policy (Hewison, 1989). In the post-WWII era, Thailand focused more on exporting in order to generate revenue (Hewison, 1989). The formation of state-owned enterprises and industrial economy required a large amount of money. Thus, many banks emerged before, during, and after WWII. In the pre-War period, Siam Commercial Bank, under the king's patronage, was the leading bank in Thailand. After that, many local banks were established with the government's support (Hewison, 1989). The owners of the banks were mostly Chinese. For example, two of the large banks in Thailand, Bangkok Bank and Thai Farmers Bank (also known as K-Bank), were established in 1944 and 1945 respectively. The owners of both banks were Chinese, Sophonpanich and Lamsam. Some difficulty existed in the establishment of the banks before WWII because of the nationalism policy to discriminate against the Chinese. However, many banks eventually were established following attempts to connect with the government or military officers (Hewison, 1989; Satitniramai, 2013). For example, in Sarit's government, many of his administrative members, including himself, received personal wealth from their involvement with many industrial and banking businesses (Hewison, 1989). The Chinese expanded their business from commercial to banking businesses to acquire wealth. As a result, military or government officers, merchants and bankers are all related to mutual benefit (Satitniramai, 2013).

Even though the foreign investment was discriminated during the pre-WWII, discrimination was impossible to further proceed due to economic scarcity. The U.S, an important negotiator in cancelling the reparation, also provided economic and military assistance in exchange for Thailand implementing an anti-communist policy

(Hewison, 1989; Kasetsiri, 2011; LePoer, 1987). The U.S. influences changed Thailand's economic concept from state capitalism to being a capitalist state, which meant that the government became a facilitator in order to encourage economic growth instead of being a business operator as a state-owned enterprise (Hewison, 1989; Sareephol, 2012). Additionally, as part of the U.S. assistance plan, Thailand became a member of the World Bank, of which the U.S. is the primary funder (Sareephol, 2012). With this changed concept, the required state funding was less than previously, but it was necessary to plan economic infrastructure in order to attract or ensure foreign investment. With the World Bank consultancy, the National Economic and Social Development Plans (NESDP) emerged (Sareephol, 2012). The first plan covered the period of 1961-1966 and currently Thailand is in the twelfth plan, covering 2017-2021¹. The first plan mostly focussed on infrastructure building, including transportation and logistics systems. However, the plans were criticised for emphasising industrial economy which created inequality between urban and rural areas (Kelly et al., 2012; Sareephol, 2012).

2.2.4.3 Society

Since the revolution in 1932, the societal structure has changed from an agrarian to an industrial society due to the launching of industrial economic policies. The most explicit societal change occurred with the NESDP in 1961 (Sareephol, 2012; Subhadrabandhu, 1995). The earlier NESDP plans focused on building infrastructure to facilitate industrial investment. This infrastructure, including the transportation system, was built mostly in urban areas, where the industrial sector was located (Sareephol, 2012). This emphasis on industrial policies had consequences for the agriculture sector and the majority of the population who made their living on it. The agriculture sector was the largest single contributor to Thailand's Gross Domestic Product (GDP) at 36% of total GDP in 1960 (World Bank, 2017a). However, the contribution value of the sector gradually dropped to 20% of total GDP in the late 1980s (LePoer, 1987; World Bank, 2017a), whereas in the mid-1980s to 1991 the agriculture sector employed 60-70% of Thailand's total workers (LePoer, 1987; World Bank, 2017b).

¹ Office of Thai National Economic and Social Development Board (NESDP).

One of the reasons for the declining value of the agriculture sector was the shift in government policy to emphasise industry and capitalism (Sriwichailampan, 2011; Theerasasawat, n.d.). As a result, the industrial sector became more important. However, most of the labour force remained in the agriculture sector. Consequently, there was a significant mismatch between the sectors employing the most substantial proportion of the labour force and those generating the bulk of the country's GDP. This led to a profound skewing in the distribution of wealth and education within the population and caused labour relocation from rural to urban areas as people sought to participate in wealth creation (Hussey, 1993). Such inequalities from economy changes were in addition to the inherited inequality from social class, as discussed earlier. Such inequality widened the gap between the rich and poor and among people of different social status.

In addition to the change in the social structure during this period, the previous section discussed a new social class, the banker class. The class was developed from Chinese entrepreneurs who had previously been in commercial businesses. The banker class later became important in Thailand's economic system, which will be discussed next in the Asian crisis sub-section in this chapter.

2.2.5 Asian Crisis

The banker class increasingly influenced Thailand's financial policies due to the close relationship between the bankers and government officers in each administration. The relationship was a dependence type of relationship in that the bankers needed support from government officers for their business and the government officers needed financial support from these bankers to retain political power. The Bank of Thailand, which was a bank regulator, lacked the power to adequately regulate commercial banks due to the political interference of the banker class. An example that demonstrated the bankers' influences was an attempt to delay a regulation regarding dominant borrowers in an amendment of the Banking Act in 1962 (Satitniramai, 2013). This regulation prohibited the provision of a loan to a single corporate borrower of more than one-third of borrower's registered capital (Satitniramai, 2013). The prohibition emerged because the commercial banks mostly provided loans to the banks' related parties or companies,

as observed in 1959 when two local banks merged because of liquidity problems from over-lending (Satitniramai, 2013). A significant debate during the draft act caused long delays in the enacting process (Satitniramai, 2013). Bankers' political interference was an origin of the weakness of the bank regulation system in Thailand (Satitniramai, 2013) and eventually led to a significant financial crisis in 1997.

In 1988, the Thai economy grew significantly (Satitniramai, 2013; Siamwalla, 2000; World Bank, 2017c), due partly to government policy which focused on economic development (Chaimadan & Skunrat, 2015; Phasuk, 1996). The economic growth induced growth in the real estate sector as industrial space, including working office, factories and housing, was in short supply (Hussey, 1993; Siamwalla, 2000). Besides, the growth needed additional funds not only from domestic sources but also foreign investment (Siamwalla, 2000). For this reason, the Thai government aimed to liberalise the financial sector by launching the Bangkok International Banking Facility (BIBF) in 1992-1993, focusing on attracting international funding, with the intent that Thailand would become a centre of the financial sector in South East Asia (Satitniramai, 2013; Siamwalla, 2000; Siriprachai & Tansakun, 2005). With the launch of the BIBF, financial institutions in Thailand could operate 'Out-In' transactions, meaning that they could borrow from foreign financial institutions in a foreign currency and domestically lend these funds to Thai companies (Satitniramai, 2013; Siamwalla, 2000; Siriprachai & Tansakun, 2005). Since the foreign exchange rate in the past had been quite stable, the Out-In transactions were mostly operated without foreign exchange hedging (Siamwalla, 2000). In addition, most of the loans from foreign financial institutions were short-term because of the low cost of capital. However, these funds were lent domestically to Thai companies as long-term loans; therefore, the loan period was mismatched (Siriprachai & Tansakun, 2005). Most of the loans were provided to real estate companies, which were growing, resulting from industrialisation (Satitniramai, 2013). Not only was the mismatch loan period one of the causes of the crisis, but the poor banking governance systems were also to blame (Satitniramai, 2013; Siamwalla, 2000; Siriprachai & Tansakun, 2005). Poor governance meant the bank regulator failed to establish proper monetary policy as evident in the continual use of the fixed exchange rate policy during financial liberalisation (Satitniramai, 2013; Siamwalla, 2000). As a

result, when the Thai Baht (currency) fell, loan burdens increased. Another example of poor banking governance can be explicated in the case of the Bangkok Bank of Commerce Public Company Limited (BBC). The BBC over-lent to connected persons without proper asset collateral and failed to reserve a proper amount of allowance for doubtful accounts. This caused a high Non-Performing Loan (NPL) and led to the BBC'S failure. Bank regulated parties operated poor governance due to the interference of political power as discussed earlier. All of these factors led to Thailand's financial crisis in 1997.

The weak banking regulated system, which was partly the cause of the Asian crisis, emerged from the patron-client concept as shown in the fact that bankers used political power to interfere with the regulated system. The interference aimed to facilitate or retain the power among connected persons. In addition, the NPL, from the BBC case, also demonstrated the patron-client concept in terms of over-lending to connected persons of the company.

2.2.6 Post Asian Crisis

In the past years, government policies took a top-down approach, in which a certain group of people created the policies in the government with less participation from the community (Kelly et al., 2012; Nuttavuthisit, Jindahra, & Prasarnphanich, 2015). This approach was criticised as an origin of inequality, especially when the approach was incorporated with the emphasis on the industrial economy. In particular, wealth inequality existed between urban and rural areas (Kelly et al., 2012; Sareephol, 2012). The top-down approach had been implemented until the emergence of civil protest in 1973, which was a critical movement (Kelly et al., 2012).

The civil protest gathered many classes of people to resist the government's dictatorship. The protest led to civil society participation (Kelly et al., 2012). Therefore, civil society became more noticeable.

After the financial crisis in 1997, the community level received more consideration from the government (Kelly et al., 2012; Nuttavuthisit et al., 2015). The over-spending on industrial production which had been blamed as the initial cause of the financial

crisis in 1997 was re-addressed through re-consideration of self-sufficiency. The self-sufficiency concept promoted rural community development for self-sustainability (Kelly et al., 2012; Nuttavuthisit et al., 2015).

2.2.6.1 Governance

Thaksin Shinawatra grasped the opportunity to push the promotion of rural community development as a popular policy during electioneering. He was elected as prime minister in 2001. One of his main policies was to eliminate poverty in rural areas (Songkram, 2011) and his slogan was “think new, act new for every Thai” (Phongpaichit & Baker, 2008, p.64). His regime brought about administration reforms, claiming that the reform should accelerate the bureaucratic process in policy implementation (Painter, 2005). However, some argued that the reform was only for the personal purpose of Thaksin and his business supporters (Painter, 2005). This reform caused many disagreements from different parties, including academics, opposing politicians, and those middle-class Thais living in Bangkok (Ockey, 2007; Phongpaichit & Baker, 2008). It finally led to military coups and political uncertainty over his regime. Many political rallies occurred after that. The political uncertainty will be discussed in the next section (2.1.7).

2.2.6.2 Economy

After the financial crisis in 1997, Thailand was partly supervised by the International Monetary Fund (IMF) in terms of economic policy (Jayasuriya & Hewison, 2004). Even though the financial crisis forced many Thai people (especially businessmen) to experience financial difficulties, Thai economic growth rate was more than 4.5% from 2002 to 2006, compared to world economic growth rate averaging 3-4% in the same period (Menkhoff & Suwanaporn, 2007). Many policies were claimed by the Thaksin government as the policies to accelerate the economic growth, such as the encouragement of Small and Medium Enterprise (SME) businesses, and One Tambon One Product (OTOP), which aimed to encourage rural trading (Satitniramai & Laovakul, 2005). Even so, those policies were argued as being short-term policies which negatively affected long-term sustainability (Satitniramai & Laovakul, 2005). This concern caused major conflicts among government and different parties.

2.2.6.3 Society

The effect of Thaksin's policies caused conflicts between classes. The commoners, who lived in rural areas, acquired special attention from the government during Thaksin's regime due to his popularity policy. However, others, who perceived the policies as Thaksin's personal agenda, pressed opinions against these policies (Ockey, 2007; Phongpaichit & Baker, 2008). The conflict between classes emerged and led to political rallies in the following years.

2.2.7 Political Uncertainty

The Thai government attempted to resolve inequality through national policies, such as the Thailand Village Fund Portal in 2004. Such policies aimed to establish investment funds for people in each local government (Royal Thai Government, 2004). Furthermore, the Thai government determined to resolve inequality problems by including strategies in the Eleventh National Economic and Social Development Plan, 2012-2016. Examples of such strategies were their promotion of the grassroots development economy, including community, small and medium-sized businesses, distributing land ownership to agrarians, and restructuring the tax structure by adding more direct taxes.

However, inequality still existed, as measured by the Gini coefficient.² The standard Gini coefficient cut-off between moderate and high inequality is 0.40 (Asian Development Bank, 2013). The peak of Thai's Gini coefficient was 0.48 in 1992.³ (Asian Development Bank, 2013; World Bank, 2017c). In 2012,⁴ Thai's Gini dropped to 0.40 (World Bank, 2017c), which was not below the cut off to be regarded as a moderate inequality (0.4). The top 10% of the wealthiest population earned 22.8 times more income than the bottom 10% of the poorest in 2009 (Royal Thai Government, 2011). Furthermore, the income disparity was evident in that the wealthiest 20% of households accounted for more than 50% of total household expenditure in 2011 (Asian

² GINI coefficient is a measure of economic in equality.

³ The world highest GINI coefficient in 1992 was Central African Republic at 0.61 and the SEA highest was Thailand at 0.48 (World Bank, 2017c).

⁴ The world highest GINI coefficient in 2012 was Honduras at 0.57 and the SEA highest was Philippines at 0.42 (World Bank, 2017c).

Development Bank, 2013). Figure 2.1 to Figure 2.3 reveal inequality measurements in Thailand during 1992-2011.

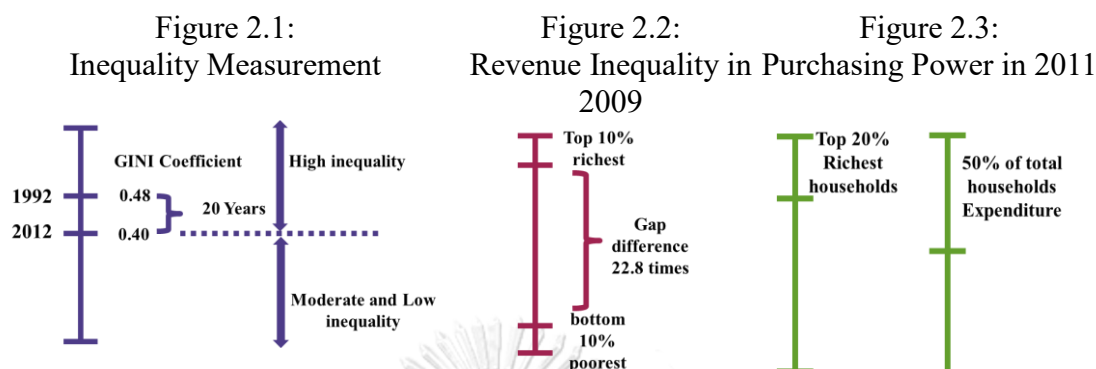


Figure 2.1 reveals the 20 years' attempts to reduce the Gini coefficient which still was not in the moderate or low coefficient range (below 0.4). Figure 2.2 and Figure 2.3 show a significant gap in wealth inequality in terms of revenue and purchasing power between the richest and poorest population.

One of the reasons that the Thai government failed to resolve inequality was an inappropriate infrastructure to facilitate the implementation of its policies (Saengsuwan, n.d.; Sorat, n.d.). Another reason was political turmoil.

Since the revolution in 1932, Thailand experienced numerous military coups and political rallies. As noted above, the first military coup was immediately after the revolution in 1933, and it was caused by the conflict of governance principles within the revolution members, especially the idea of the liberal group to eliminate all social classes as opposed to the conservative group, who preferred a gradual change (Saengkanokkul, 2017; Sarephol, 2012; Yimprasert, 2010). Most of the coups during the period of 1933-1973 resulted from conflict within the government or elite group members, including military, bureaucrats and economic technocrats. In 1973, there was a major political rally by Thai people, called "14 October 1973". The protesters demanded democracy instead of a military dictatorship system which was the current system at that time. The rally consisted of many classes in Thai society, including

farmers, workers, and liberal students from universities (Connors, 1999; Yimprasert, 2010). This rally could be the first major political conflict beyond the elite government members involving people from different classes (Siriprachai, 2009). Since 1973, many military coups and political rallies often occurred due to the conflicts of the people outside the elite group.

The military coups provoked constitutional revision (LePoer, 1987). The constitution is the code of how to rule the country and demonstrates the relationship between the government and the people (Connors, 1999). The most recent is the 20th constitution in 2017 (Royal Thai Government, 2017). Constitutional revision partly occurs from the demands of specific groups or persons (LePoer, 1987) who are politically active and seek in-group favouritism (Connors, 1999). Such revisions change the relationship between the government and the people and occasionally lead to societal conflict. For example, in 1991, after the military coup, led by the National Peace Keeping Council, there was an attempt to revise the constitution for the interests of a specific group. The revision was to grant rights to the National Peace Keeping Council to indirectly continue to rule the country (Royal Thai Government, 1991). This amendment caused a contradiction in Thai society and eventually led to an important political protest called “Black May” (Connors, 1999). Afterwards, there were many political rallies and two military coups (Yanyong, 2015). In 2005, a political rally, called “Yellow Shirt” occurred to expel former Prime Minister Thaksin Shinawatra, followed by a military coup, called the Council for Democratic Reform under Constitutional Monarchy (CDRM) in 2006 (Klungphet & Bungchan, 2015). Under the CDRM supervision, the constitution was amended, purposing to eliminate ‘Thaksinocracy’ (Prathumsawas, n.d.) and to preserve the power of the military provided by the 2006 interim constitution, created by the CDRM (Royal Thai Government, 2007). From 2010 to 2014, more political rallies happened, such as the rallies of “Red Shirt” and People’s Democratic Reform Committee or “Kor Por Por Sor”. The political rallies finally led to the most recent military coup in 2014. During this period, the constitution, law, and regulations were amended for political purposes in order to preserve the political power of the ruling groups. For example, an Amnesty Act in 2013 was issued which benefitted the Thaksin’s government. These examples reveal the politically uncertain situation in

Thailand for the past 86 years since the revolution. Not only did political uncertainty create discontinuity of the implementation of policies (Chiengkul, 2014; Saengkanokkul, 2017) and societal conflicts, but it also adversely affected economy (Alesina, Özler, Roubini, & Swagel, 1996; Veiga, 2011).

Political uncertainty causes an economic slowdown in terms of the reduction of investment expenditure (Julio & Yook, 2012). Julio and Yook (2012) examined a sample of corporations in 48 countries across the world in the year before the country's election and found that the sampled corporations delayed investment decisions as they awaited specific policies from newly elected governments. The reduction is substantial in countries with few checks and balances in the government system (Julio & Yook, 2012). Such a system applies to Thailand's situation during the military coup in that only a specific group has absolute power to rule the country without checks and balances. Therefore, Thailand's economy is assumed to slow down during the military coup. In addition, the recent military coup emerged against a corrupt government, causing doubts about the previous spending on the government projects, investor distrust, and the economic slowdown (Ockey, 2007). In Thailand, the economic indicators support this argument. The annual percentage of GDP growth, from World Bank (2017c) (and shown in Table 2.1), reveals that the GDP growth declined from 11% in 1990 to 8.5% in 1991, which was the year of Black May. In addition, in the Yellow Shirt, followed by the military coup in 2005-2006, GDP growth dropped to 4% in 2005, compared to 7% in 2003 (World Bank, 2017c). Also, the political rally in 2011, called Red Shirt, caused a decline in GDP growth from 7.5% in 2010 to 0.84% in 2011. The political rally in 2013, called Kor Por Por Sor, caused economic slowdown in terms of GDP growth from 7.2% in 2012 to 2.7% in 2013. The following coup in 2014 caused the GDP to drop to 0.9% in 2014. It can also be seen from Table 2.1 that GDP growth has been very variable.

Table 2.1: Thailand's Percentage GDP Growth and Political Uncertainty 1990-2014

Description	1990	1991	2003	2005	2010	2011	2012	2013	2014
% GDP growth	11%	8.5%	7%	4%	7.5%	0.84%	7.2%	2.7%	0.9%
Political Uncertainty	Black May		Yellow Shirt		Red Shirt		Kor Por Por Sor		Current Coup

Collectively, policy disruption and adverse effects on economic growth prevented the government and the private sector from resolving social problems. This failure has left a gap for social organisations including social enterprise emergence. The development of social organisations in Thailand will be discussed further in Section 2.3, following the discussion of history.

2.3 Discussion

The previous sections discussed the historical development of Thailand's governance, economy, and society. Thai society has approximately 96% Thai nationality, 93% of whom are Buddhists and Thai is the formal language (National Statistical Office, 2017). The characteristics seem to be homogeneous as the population shares these similarities; however, inequality occurs in specific ways (LePoer, 1987). The governance system from paternalism, absolute monarchy, and constitution monarchy has originated many different classes in Thai society.

Social class is generated from the existence of the patronage-client system which is a crucial structural principle in Southeast Asia (Scott, 1972). Discussing the definition of the patronage-client system, Scott (1972) explains that the patron attains a higher socioeconomic status than the client. The patronage-client relationship can be a position in between the continuum of patron and client. The location of patron and client in the continuum will depend on four factors, namely (1) the reciprocated value (whether the clients provide goods or services which patrons intensely need), (2) the number of alternative patrons, (3) the client force (coercive power) and (4) the needs of the patrons (whether the clients can meet their needs without patrons).

The social class in Thailand is flexible (Hewison, 1989; Kuwinpant, 2002; LePoer, 1987). The classes can move along the continuum of patron-client power distance, resulting from the changes in governance and economic perspectives. Figure 2.4 demonstrates the social class movement.

Figure 2.4: Social Class in Thai History

Social Class	Asian Crisis-present (1993-present)							Patronage System	
	2.2.5 Crisis	2.2.6 Post-Crisis	2.2.7 Political uncertainty						
Highest	2.2.1 Sukhothai (1238-1378)	2.2.1 Ayutthaya (1350-1767)	2.2.2 Rattanakosin (1782-1932)	2.2.3 The Revolution (1932-1945)	2.2.4 Post Revolution (1946-1992)	2.2.5 Crisis	2.2.6 Post-Crisis	2.2.7 Political uncertainty	Superior
Lowest	2.2.1 Sukhothai (1238-1378)	2.2.1 Ayutthaya (1350-1767)	2.2.2 Rattanakosin (1782-1932)	2.2.3 The Revolution (1932-1945)	2.2.4 Post Revolution (1946-1992)	2.2.5 Crisis	2.2.6 Post-Crisis	2.2.7 Political uncertainty	
Patron-Client Relationship	2.2.1 Sukhothai (1238-1378)	2.2.1 Ayutthaya (1350-1767)	2.2.2 Rattanakosin (1782-1932)	2.2.3 The Revolution (1932-1945)	2.2.4 Post Revolution (1946-1992)	2.2.5 Crisis	2.2.6 Post-Crisis	2.2.7 Political uncertainty	Inferior

Patronage System	2.2.5 Crisis	2.2.6 Post-Crisis	2.2.7 Political uncertainty
Superior	King	King	King
Vertical Dependency Relationship	Middle class • Military • Bureaucrat	Middle class • Chinese Middle class • Military • Bureaucrat	Middle class • Military • Chinese • Bureaucrat
Inferior	Middle class • Banker Middle class • Chinese	Middle class • Banker	Middle class • Banker
	Constitutional Monarchy	Constitutional Monarchy	Constitutional Monarchy
	Industrial		
	Commoner Urban Commoner Rural	Commoner Urban Commoner Rural	Commoner Urban Commoner Rural
	Social Obligation	Social Obligation	Social Obligation
	Political Patronage	Political Patronage	Political Patronage

Figure 2.4 shows the landscape of social class and its movement in each era. Summarising from Section 2.2, called A History of Thailand, there were three main classes, which were 1) kings, including royal family 2) middle class and 3) commoners. In Sukhothai (“Sukhothai” Column in Figure 2.4), the social class is simple and has only two classes of kings and commoners in which the commoners consist of Thais and Chinese migrants. The new class, Sakdina class, emerged in Ayutthaya, resulting from a change in governance system from paternalism to absolute monarchy, as shown in “Ayutthaya” Column. Sakdina class is the origin of the new class in later eras. Furthermore, the governance system of paternalism and absolute monarchy also affects the distance between kings and commoners. The paternalism is the father-son king style whereas the absolute monarchy is god-like king style. Consequently, the distance between kings and the commoners in paternalism is shorter than in the absolute monarchy. Despite the change in the governance system, the economic system in Sukhothai and Ayutthaya is similar, called self-sufficiency economy.

In “Rattanakosin” era, the governance system is still an absolute monarchy. However, resulting from the country’s openness to the West, the new class, middle class which is derived from the Sakdina class, is salient. This middle class mainly consists of Chinese as merchants and businessmen. The commoner position also is slightly raised from its original position because they are allowed to engage in free trade activities, according to the Bowring Treaty. In addition, the cancellation of the labour serf and slavery system contribute to this movement. Also, the salary system in early Rattanakosin causes the distance between the patron and client to be closer than in Ayutthaya when feudalism or the Sakdina system is flourishing. The economic structure change causes the newly emerged class. The movement of the commoner class is caused by both governance reform and economic structural change. Even though the movement of the commoner class is slightly raised, this is an extraordinary moving step. The economic system is similar to the previous eras which are self-sufficient but new engagements in trading occur. The patronage system has been persistent from Sukhothai to Rattanakosin in which the patron-client relationship is tied by social obligations between kings and commoners.

In the revolution period (Column “Revolution”), the governance system changes from absolute monarchy to constitutional monarchy. Kings serve as a symbol and have limited authority. As a result, the king class is excluded from the social class patron-client distance in Figure 2.4. In this era, new middle-class subcategories are identified in addition to the Chinese. The new subcategories are bureaucrat and military. The bureaucrat and military play an important role in ruling the country, according to the governance system revolution. Collectively, in this era, the middle class can be divided into 1) bureaucrat 2) military and 3) Chinese. Because of their essential role, the bureaucrat and military gain higher positions than the Chinese in social standing in this period. Regarding the commoners, even though the new governance system principally aims to eliminate the social class and provide commoners with participation in governing the country, the commoner class remains in the same position as in the previous era. The commoners fail to provide proper feedback, which is anticipated to occur from the new governance system because they lack knowledge of the new system. Consequently, in this period, along with the change in the king class, the new subcategories and the stable commoner position result from governance system change. In this period, an industrial economy is introduced and engaged in the industrial economy in the following periods. Since the king class is excluded, the patron-client relationship reduced to be a less social obligation. Furthermore, because of the revolution, political patronage tends to replace the social obligation relationship. However, such political patronage is not salient.

In the Post-Revolution (“Post Revolution” column), the military attains more power than bureaucrats and the country is mostly in a military dictatorship. Consequently, the military and bureaucrat sub-categories are separated from each other. The military is higher in social class than bureaucrats because of the dictatorship. In addition, there is the economic change in this period in that the country engaged in industry and this requires a large amount of investment. Therefore, the new sub-category, called bankers, emerged. The Chinese and bankers are at the same level and related to each other, as bankers originate from the Chinese in commercial business who transform themselves into bankers. Furthermore, because the country is in an industrial era, the infrastructure needs to be ready for industrial expansion. The need for infrastructure causes the

emergence of NESDPs, which create wealth inequality between commoners in urban and rural areas, as earlier discussed in Section 2.2.4. Therefore, the commoners are separated into urban and rural. The urban commoners are in a higher position than rural ones due to the economic change. The rural commoners gain higher positions than the in previous era because of dictatorship vexation, and their civil protest in October 1973. This protest demonstrates commoner participation as a further step up in class. Therefore, the separation of middle-class sub-categories and the higher position of commoners in rural area derive from governance system change, whereas the emergence of commoners in urban areas and their raised position result from economic system change. In “Post Revolution”, the patronage system still consists of many layers between the patrons (i.e., kings/various middle classes) and clients (i.e., commoners). The relationship between patrons and clients was altered, becoming more political patronage than social obligation.

Later during the Asian crisis (“Crisis” column), almost all classes retain the same position, except bankers and commoners in urban areas. The banker class is clearly detached from the Chinese class just before the crisis. The banker class influences the banking regulation system because of the close relationship with government officers. This class is noticeable; as a result, it is in a higher position than the Chinese. In contrast, the commoners in urban areas are more directly impacted by the crisis and many are unemployed; therefore, their position moves down to be close to commoners in rural areas. The class movement during the Asian crisis is mainly produced by economic change.

After the crisis (“Post-Crisis” Column), the class continues to move. The previously noticeable banker class moves down under the military and bureaucrats because of the Asian crisis. The Chinese class moves up to the highest social class, as the former Prime Minister Thaksin, who is a Chinese businessman, wins an election. As a result, the raising of the Chinese class and lowering of the banker class are from economic change. Because Thaksin’s policies focus on getting rid of poverty in rural areas, the commoners in rural areas receive more attention from the government. The policies create opportunities for commoners in rural areas to participate in political activities.

Hence, the commoners in the rural area move up to be closer to the urban area class, in terms of participation, due to the governance change.

However, the policies during the former Prime Minister Thaksin are disputed as an agenda to serve his personal interests, which eventually lead to political uncertainty. Even though the political uncertainty harms the country. Thus, Figure 2.4 (“Political Uncertainty” column) shows the moving up of commoners’ class in urban and rural areas, whereas other classes remain unchanged. The patron and client relationship during the Asian crisis to Political Uncertainty was changed in that political patronage replaced social obligation relationship.

In addition to explaining the class movement by the changes in governance and economic systems, an alternative explanation can be considered. The alternative explanation is based on the concept of Scott (1972) to explain the relationship between patrons and clients and how the clients can move either closer to or further from the patrons. According to Scott (1972), there are four elements, consisting of (1) the reciprocated value (whether the clients provide goods or services, which the patrons intensely need), (2) the number of alternative patrons, (3) the client force (coercive power) and (4) the needs of the patrons (whether the clients can meet their needs without patrons).

The reciprocated value between patrons and clients mainly explains the emergence of the middle class and the movement among sub-categories of the middle-class, whereas the number of alternative patrons and coercive power mainly explain the movement of commoners. The reciprocated value also partly explains the commoner movement.

The individual, in the Sakdina system, is in a higher position than commoners because the people in this class acquire governance power in remote areas, which is needed by the king (patron) and the king allocates land (fields) and part of the revenue-generating from the land, in return. Thus, the Sakdina class can move closer to the king (patron) due to reciprocal benefits. Similar to the middle class (Chinese) in Rattanakosin, the Chinese provide returns from trading activities to the king and the king provides the

access to the land for rice operations to the Chinese. Therefore, the Chinese move closer to the king more than the commoners because of reciprocal benefits.

In later eras, the movement among middle class itself is also based on the reciprocated value between the patrons and the clients in terms of politics and business as politics facilitate businesses and businesses provide funding to politics (Hewison, 1989). For example, when the nationalism policy flourishes during the revolution era, the Chinese (as the clients) needs the support from bureaucrats and the military (as patrons) in order to facilitate their business, whereas the bureaucrats and military need funding from Chinese businesses to support their political power. The same reciprocated value reason can be applied for the relationship between the bankers (clients) and bureaucrat and military (patrons) during the Asian Crisis.

Regarding the movement of the commoner class, the number of alternative patrons and the client force (coercive power) can mostly explain the movement. For example, the moving up of commoner in Rattanakosin results from the openness of the country to Westerners. The openness provides the alternative patrons to the commoners for trading their goods and services with the foreigners, according to the Bowring Treaty. The commoner class slightly moves up but not significantly because the commoners are not the landowners. The client force (coercive power) can be the reason for the commoner class to move up in Post-Revolution and Political Uncertainty as the mass political rally forces the patron (government) to provide services, conforming to the needs of the protesters.

Not only can alternative patrons or client force explain the commoner class movement, the reciprocated value can also partly explain the movement. For example, in the Revolution and the Post-Crisis era, the commoners' vote is needed for the middle class, bureaucrats and Chinese to retain political power.

In summary, from the figure, the distance between classes shows an inequality in Thailand. It is evident from Figure 2.4 even though the social class can be moved by governance and economic system development, the movement is time-consuming and

slow. The closer position between patron and client cannot indicate equality as there is a small group of people who control the power and the offers from both parties cannot be exchanged equally. Anticipation is made that the social organisation, mainly social enterprise can help, as one actor accelerating the client to be closer to the patron. This is because social organisation aims to support social purpose. The social purpose will help increase the capabilities of lower social class, depending on what kind of social purpose the social organisation will hold. For example, social organisations, involving with education provision, will enhance specific skill for the lower class to provide reciprocated value to the upper class. Social organisation and social enterprise landscape are discussing in Section 2.4.

2.4 Social Organisation in Thailand

Section 2.1 provides the landscape of governance, economy and social development of Thailand in each period. In Section 2.2, social class movement is discussed along with the anticipation that social organisations can be one of the actors closing the gap between the classes. This section will provide the social organisation landscape in Thailand and demonstrate the linkage of social organisation emergence and era development.

Social organisation in this perspective means an organisation, consisting of people, focusing on a specific purpose, except, maximising individual wealth. There are many types of social organisation in Thailand. The emergence of each type happens for a reason. In the early years of emergence, the first Not-For-Profit (NFP) organisations to be established were called charities and included religious organisations, foundations and associations.

There is a large number of Not-For-Profit organisations or charities, and they are the oldest type of social organisation. The number of NFP or charities is demonstrated in the 2013 Non-Profit Organisation Survey, by the National Statistical Office. In the survey, 58% of total NFPs are religious organisations. These can be linked to the Buddhism beliefs and patron-client relationship in which the higher socioeconomic status (patron) gives mercy or generosity to the lower socioeconomic status (client).

However, the linkage is more involved with Buddhism beliefs than the patron-client relationship as the givers do not demand any return from the receivers. This concurs with Sukhothai and Ayutthaya periods, especially in Ayutthaya that Buddhism was announced as the national religion; therefore, the Buddhism beliefs flourish. In terms of patron-client relationship, the governance system in Sukhothai and Ayutthaya were paternalism and absolute monarchy, which the client (commoner) critically depends on the patron (king) because they lack needed resources. Consequently, demanding any return is impossible.

Another type of social organisation, called association, also emerged since the Revolution era in Section 2.2.3 when the Chinese play an important role as entrepreneurs. For the association, the traditional association is founded by the Chinese (Nuchpam, 2017). This is because the Chinese gained apparent status as entrepreneurs and established the associations to assist their Chinese members in terms of finding jobs, accessing healthcare and education (Nuchpam, 2017).

The mission of these social organisations aims for public benefit, not for maximising the profit of the owner. These NFPs operate activities using philanthropic concepts (Nuchpam, 2017). Most of the resources for NFPs or charities come from volunteers and donations. In the survey, 44% of NPF staff members are volunteers and 36% are monks, nuns or in-kind contribution of staff (National Statistical Office, 2014). Regarding donations, the donors will receive tax benefits from donating to charities or associations by receiving tax exemptions. However, the tax exemption only applies to the money donated to specific charities or associations announced by the Revenue Department. One of the essential criteria for the charities or associations announced in the Revenue Department list is that the revenue from the charities or associations must not be generated from trading or services that receive the economic value in return (Royal Thai Government, 2012). As such, there is no other mission than a social mission for charity (a single mission). The charities or associations on the Revenue Department list, which are not allowed to have trading or service activities, are the origin of one pole, a not-for-profit, and another pole is a for-profit organisation, which

focuses on maximising the owners' profit. Moreover, there are the organisations, including other forms of social organisations in between the poles.

Later, when Thailand's economic structure changed from being a self-sufficient economy to an industrial economy, as noted, the important sector shifted from agriculture to industrial. This falls into the period of Post-Revolution (Post-WW II) in Section 2.2.4. For this period, Thai agrarians faced many challenges; for example, they became oppressed by capitalists and high debt (Janyasupab, n.d.). The rural agrarians were detached to be the lowest social class after urban commoner, resulting from the change of economy system. Another form of social organisation, called the cooperative, emerged as it was anticipated it could solve such problems. The first type of cooperative is the agriculture cooperative, which aims to initiate varied activities to improve the economy and social life of the agrarian members (Cooperative Promotion Department, n.d.; Janyasupab, n.d.). Currently, there are seven types of cooperative, covering agriculture, fishery, land (Nikom cooperative), trading, service, savings and credit union (Royal Thai Government, 2005b). According to the Cooperative Act (1999), the mission of a cooperative is to improve the economic and social life of its members. The resources of the cooperative mainly come from members' contributions. In addition, the cooperative may engage in generating income in order to achieve its mission. The cooperative has no direct objective to solve social problems. However, some members of the cooperative are social beneficiaries. If members are social beneficiaries, this cooperative has indirect social goals. For example, the first established agriculture cooperative has the purpose of resolving agrarians' problem, which is the social problem at that time, so the agriculture cooperative has an indirect social mission. Collectively, the cooperative has a single mission, which is for the member's benefit.

The criticism of top-down industrial development, as in Thailand and many developing countries, is that the system creates economic growth inequality (Kelly et al., 2012). The concept of participatory grassroots is anticipated to be the solution for this inequality (Kelly et al., 2012). After the criticism, incorporating with the economic crisis in 1997, the concept of a self-sufficient economy is promoted, primarily via grass-root organisations (Kelly et al., 2012). This is the period of Post-Crisis or Section 2.2.6

in this chapter. For this reason, community enterprises emerged. The community enterprise aims to preserve the local wisdom, improve community material and resource and empower the community to control their resources in order to enhance the self-sufficient economy and sustainability within the community (Royal Thai Government, 2005a). The resources of the community enterprise partly come from the government policy support such as the Thailand Village Fund and One Tambon One Product (OTOP), which is a popularity policy, discussed above in the Post-Crisis. The prospective successful community enterprise can generate income from trading or providing services, using community resources. The beneficiary of the community enterprise is mainly limited to members of the community. Even though the main focus of the community enterprise is for social sustainability, the economic focus is also involved due to their income generation functions. It can be considered that the community enterprise adopts the concept of the dual mission of society and economy (Mali, 2014; Parinyasutinun, 2017; Siriphattrasophon, 2015; Tarnittanakorn, 2011). The challenge for community enterprises, which adopt dual missions, is business operation sustainability. Some of the Thai community enterprises are not successful in their business because of various reasons (Parinyasutinun, 2017). The failure factors include the lack of public policy and infrastructure support, business and management skill and networking capability for their expansion (Parinyasutinun, 2017). Whereas the public policy and infrastructure support are external factors beyond the organisation's control, the business and management skill and networking capability can be handled internally within the organisation. The proper management control system can be regarded as a tool for enhancing business sustainability.

Apart from the community enterprise, social business and social enterprise are the social organisation form in between the continuum position of the poles. Both of them aim to tackle a wide range of social issues rather than to limit the benefits to its members (like cooperatives) or community (like a community enterprise). The social business terminology is defined by Muhammad Yunus, who founded the Grameen Bank in Bangladesh. The social business, by Yunus's definition, focuses mainly on the society. The sources of funds will be generated by doing the business to cover the social business' expenses. Distribution of profit is allowed only if the owners of the social

business are social beneficiaries; otherwise, all the generated revenue must be re-invested into the organisation or directly given to the social benefit and there is no additional return as a dividend to the owner. Even though the social business is mainly focused on the society, the concept of dual mission is found as the social business has to generate enough income to cover their expenses.

The social enterprise is another form of social organisation, which is its definition close to the social business. Different from the social business, the social enterprise is allowed to make a profit and return it to the owner in the form of a dividend. The dividend of a social enterprise has to be less than the amount than it re-invests in its operations or directly spends on social activities. Consequently, the social enterprise adopts the dual mission, both society and economy. The tension between the missions is higher than social businesses because social enterprises aim to make a profit. In Thailand, the SE definition in SE Act expects that most but not all of the profit will be reinvested into the organisation itself. Therefore, in this dissertation, the terminology of social enterprise will cover social business.

In addition to the social organisation, the Corporate Social Responsibility (CSR) of for-profit organisations can be part of social organisation development. However, CSR activities are not social organisations as the corporate's primary focus is still to maximise the owners' profit. The traditional for-profit organisation is located on another pole of the continuum.

Collectively, the organisations, located between the pole of non-for-profit and for-profit organisation is presented in Figure 2.5.

Figure 2.5: Position of Social Organisations in Thailand



2.5 Social Enterprise in Thailand

Section 2.4 introduced social organisations in Thailand. Social organisations with dual missions are community enterprises and social enterprises which cover social business. Community enterprises have a specific Act whereas the social enterprise act was just released in 2019. The development of SE legislation was salient when Thai Social Enterprise Office (TSEO) was established purposively to facilitate the Social Enterprise legislation. The TSEO also serves as a coordinating unit for promoting the importance of social enterprise and developing the social enterprise network in Thailand. In order to achieve these purposes, the TSEO initiates 35 incubated projects and supports three SE curriculums in Thai Universities. Furthermore, TSEO holds many events to create the network, including three SE national conferences and two Thai social enterprise award events (TSEO, 2017). As the facilitator of the social enterprise (SE) legislation, the TSEO supports the preliminary assessment of potential SE organisation. The output of the assessment is the published lists of SE in Thailand. The lists are (1) SE 50 and (2) SE catalogue, published in 2010 and 2012 respectively. An agency prepared the SE 50 with the support of TSEO and TSEO itself prepared the SE catalogue.

Not only does TSEO promote SE but the Stock Exchange of Thailand (SET) also plays a vital role to promote social enterprise investment. The SET supports the TSEO activities, provides knowledge exchange and raises social investment awareness among top management of listed companies. The SET set up a “social impact platform” on a website as an intermediary between social investors and social impact creators. The primary aim is to match the mutual interest between social investors and social impact creators.⁵ The platform provides useful information, related to business and social enterprise knowledge and raises the awareness of social needs and its impact. The platform allows organisations, which meet specific criteria, to be registered as social impact creators. The SET could serve as a SE accelerator in a certain way to promote SE emergence.

⁵ <http://www.setsocialimpact.com>

As described earlier, the concept of social enterprise in Thailand has been adopted by various types of organisational form. The specific legislation of social enterprise, which was released in 2019, needs to include the existing forms into the legislation. Section 2.6 will provide a landscape of SE laws and regulations in Thailand.

2.6 Social Enterprise Laws and Regulations

Established according to the Thai Health Promotion Foundation, the Thai Social Enterprise Office (TSEO) was set up in 2010. The objective of the TSEO is to facilitate the social enterprise Act release. The substantial initiation of the laws and regulations started from the announcement of the Master plan: Social enterprise (2010-2014). The TSEO plays an important role in developing the Thai government social enterprise Master Plan. The Master plan provides the general information of a potential definition of social enterprise and the primary root of organisational forms. The definition and the form of the organisation will be discussed in later chapters. The master plan also includes the road map of social enterprise development, covering from the short-term (1 year) to long-term (5 years) plan. The road map described the intermediary organisation in-charge of implementing the master plan, raising awareness of social enterprise importance, developing the legal form and infrastructure and lastly encouraging the emergence of social enterprises.

Later in 2011, the Thai government set up the Thai Social Enterprise Promotion Board and the TSEO was served as a secretariat office to propose the social enterprise Act to the National Reform Council and then to the Cabinet. It has taken almost six years from the initiation of the Master Plan, eventually in 2015; the social enterprise Act (first draft) was delivered to the Cabinet.

In 2017, the TSEO and related agencies called for a public hearing, regarding the social enterprise Act. The public hearing heard concerns about the SE definition and SE infrastructure. The public hearing concluded that the definition of the SE in the Act and the Tax Decree should be broad enough to cover the existing SE forms. The SE infrastructure includes the SE certification system, regulators, knowledge and innovation development centre, policy and SE financial system. The public agreed that

the infrastructure should be the encouragement of facilities for SE emergence rather than being its inhibitors. After the public hearing, the Act was revised and resubmitted to the Cabinet and became effective in 2019. In the Act, the SE definition included all legal entity forms which match the SE criteria in the Act. Presently in 2020, government support of SE infrastructure is in process and yet to be released since the SE Act enactment.

The TSEO officially announced the end of their role as the Social Enterprise Legislation Secretariat. The role is to be transferred to the Department of Social Development and Welfare, Ministry of Social Development and Human Security (TSEO, 2017). The role transfer is expected to be more effective in terms of government budget continuous support.

Compared to other Asian countries, SE in Thailand has emerged distinctively. As discussed in Defourny and Kim (2011), the SE emergence in other east Asian countries started in 2000. The literature includes four Asian countries of South Korea, Taiwan, Japan and China and one special administrative region of China, Hong Kong. The emergence of SE in these countries is firstly derived either from public policy or market opportunities (Defourny & Kim, 2011). As such, the mission could tend towards either public policy or market opportunities, causing mission drift (Defourny & Kim, 2011). Thailand is different in terms of its emergence. From the description of Thai history of governance system, society and economic structure above, it can be seen that the emergence of the SE in Thailand is initially originated from civil society or under royal patronage rather than public policy and market opportunities. This is because the SE concept was adopted long before the SE legislation, and social organisation is the majority organisational type which has adopted the SE concept. With this originator, the risk of business sustainability may be associated with the emergence, which is opposite to other countries in the literature. Later, when the promotion of SE from TSEO and other agencies increases, the market opportunities also escalate. As a result, SE in Thailand could face the risk of mission drift as well.

2.7 Summary

This chapter provided the Thailand context and how SE plays its role in Thailand context. Thailand faced inequality for centuries from government, economic and social development. Such inequality persists over the years, causing the rural people to be the most disadvantaged class in Thai society. Inequality persistence was reflected in Section 2.2 'A history of Thailand'.

The social enterprise concept was initially developed many years before the SE legislation. The purpose of the SE concept development is to fill in the gaps left in public and private sectors assistance to rural people. Before the SE form emerged, the SE concept was adopted by the social organisation and gradually developed into the social business form. The emergence of each type of social organisation concurred with the social class situation in each era, as shown in Section 2.4 'Social organisation in Thailand'. Recently the SE Act has been released and this chapter provided the update about the SE rules and regulation. Even though the SE Act defined SEs, this dissertation was conducted when there was no clear SE definition yet. Consequently, the SE definition is developed for use in this dissertation in Chapter 3.

CHAPTER 3 SOCIAL ENTERPRISE

3.1 Introduction

Chapter 2 exhibits the Thai context, including inequality problems, developing from historical governance, economy and social system. Not only was the Thai context included in the previous chapter but also information about social organisations in Thailand. The social enterprise is introduced as a type of social organisation and anticipated to be part of the inequality solution (Augsburg & Fouillet, 2013). This chapter attempts to provide social enterprise details including its definition and distinctive characteristic. Social Enterprise (SE) has been defined in a variety of ways. The definition starts with the comprehensive concept of a hybrid organisation (Section 3.2). It also explains the specific type of hybrid organisation called SE. Thereafter, literature about the SE definition is presented and discussed, leading to the development of a SE definition (Section 3.3). Section 3.4 demonstrates the unique characteristic of SE, that is, its dual mission (competing objectives between social and economic purposes) which creates tensions between the missions. The last section (Section 3.5) provides a summary of the chapter.

3.2 Hybrid Organisation Concept

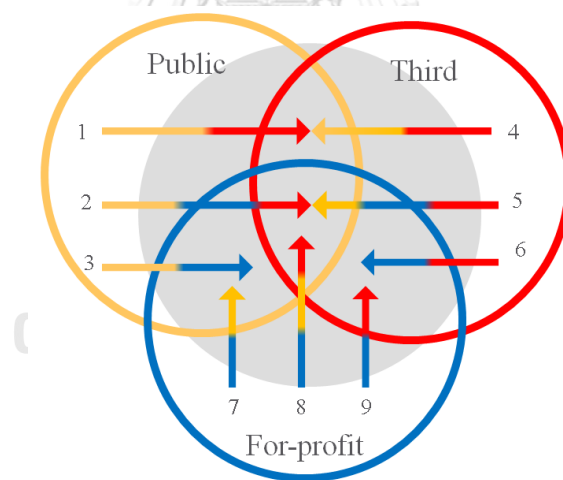
In organisational studies, a hybrid organisation is an organisation which incorporates different missions (or purposes) (Doherty et al., 2014; Pache & Santos, 2012; W. K. Smith et al., 2013). Billis (2010) defines the hybrid organisation as a combination of three traditional organisation types with different purposes, called for-profit, public and third sector⁶. The literature uses five elements to identify traditional organisational types being: (1) Ownership (2) Governance or the Right to govern the organisation (3) Operational priorities-the main focus of the operation (4) Human resources and (5) Other resources (Billis, 2010). For example, a for-profit organisation is an organisation “(1) owned by shareholders and (2) governed according to the principle of size of share ownership, working according to (3) operational priorities driven by principles of market forces in individual choice, with typical (4) human resources consisting of paid

⁶ The third sector includes organisations, which are neither for-profit nor public organisations, and includes not-for-profit organisations, charities or associations.

employees in a managerially controlled firm and (5) other resource primarily from sales and fees.” (Billis, 2010, p.51). These different elements arise from organisations that emerge in one of the three sectors and, in hybrid organisations, morph towards each other. Thus, Billis (2010) puts forward a nine hybrid locality that allows for organisations with “roots and ... primary adherence to the principles of one sector” (Billis, 2010, p.56).

The nine hybrid organisations⁷ are (1) Public/Third (2) Public/For-profit/Third (3) Public/For-profit (4) Third/Public (5) Third/For-profit/Public (6) Third/For-profit (7) For-profit/Public (8) For-profit/Public/Third (9) For-profit/Third. Figure 3.1 shows that Billis (2010)’s nine hybrid organisations.

Figure 3.1: Hybrid Locality, Adopt from Billis (2010, p. 56)’s Nine Hybrid Zone
(A grey area demonstrates the hybrid area)



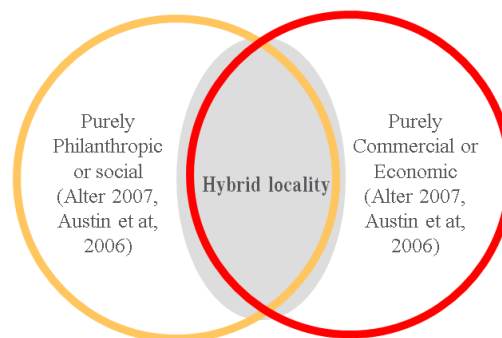
Billis (2010) hybrid locality does not include hybrid organisations deriving from economic incentives alone, such as joint ventures or the collaboration of business groups. One of the reasons is that hybridity between for-profit sectors does not result in different purposes in the hybrid, as both organisations aim to maximise the shareholder or the owner’s profit. As a result, they do not match the hybrid organisation definition.

⁷ The first sector is the principal sector of hybrid organisation, accordingly to Billis (2010).

In addition to Billis (2010), Alter (2007) defines the hybrid organisation as an organisation in between the “Purely Philanthropic” and “Purely Commercial” (Alter, 2007, p.13). The literature uses four criteria to define purely philanthropic and purely commercial. The four criteria are (1) Motives either for goodwill or self-interest (2) Methods-the operation is driven by either mission or market (3) Goals either for social or economic value creation and (4) Destination of Income/profit towards either mission or shareholder/owner activities (Alter, 2007).

Further, Austin et al. (2006) define the hybrid organisation as an organisation, integrating commercial and social approaches. Austin et al. (2006) use Sahlman’s 1996 elements as an analytical tool in an attempt to identify the differences between the social and commercial entrepreneur. The elements are People and financial resources (P), Context (C), Deal (D) –the relationship with all resource providers, and Purpose Centrality or Opportunity (O) (Austin et al., 2006). According to Austin et al. (2006), the social entrepreneur focuses on responding to social opportunities (O) in a variety of contexts (C) involving many stakeholders (D) and has the limitation of human and financial resource (P) mobilisation. The difference between the social and commercial entrepreneur does not have totally clear boundaries but should instead be in a continuum ranging from purely social to purely economic (Austin et al., 2006). Figure 3.2 shows the hybrid locality, deriving from Alter (2007) and Austin et al. (2006).

Figure 3.2: Alter (2007) and Austin et al. (2006) Hybrid Locality



The hybrid locality of Billis (2010) is more extensive than Alter (2007) and Austin et al. (2006) because Billis (2010) has more types of organisation. However, the criteria used to distinguish the type of organisation should be further analysed for linkages or common distinguishing criteria. Table 3.1 shows the comparison of criteria, used in Billis (2010), Alter (2007) and Austin et al. (2006).

Table 3.1: Hybrid Organisation Criteria Comparison

Category	Billis (2010)	Alter (2007)	Austin (2006)
Purpose	Operational priorities (The operation is driven by which force of individual or collective/mission force)	Motive (Goodwill or Self-Interest)	Opportunity (O) Purpose Centrality to respond to social or economic opportunity
		Method (Mission or Market-driven)	
		Goals (Social or economic value creation)	
Structure	Ownership	Use of income (Toward mission or shareholder/owner activities)	None
	Governance (Right to govern)		
Operation	Human Resource	None	P = People and financial resource
	Other Resource		C = Context
			D = Deal

Table 3.1 exhibits all criteria, categorised into organisation purpose, structure and operation. The operational priority in Billis (2010), motive, method and goals in Alter (2007) and opportunity (O) in Austin et al. (2006) can be mapped together as they relate to what the organisation is set up to achieve. Other criteria can also be linked. The ownership and governance in Billis (2010) can be linked to the use of income in Alter

(2007) because these criteria show how or who decides what to do with the income of the organisation whereas Austin et al. (2006) does not refer to this criterion. Lastly, the criterion in Billis (2010), which is human and other resources, can be mapped to P (people and financial resource) and C (context) of Austin et al. (2006) because they relate to organisational operation. However, Alter (2007) does not refer to the resources of the organisation criteria. Collectively, the primary criterion, which is used by all referenced researchers, is the purpose of the organisation. This concurs with Austin et al. (2006), indicating that mission (purpose) fundamentally distinguishes organisations. Deriving from the criteria, the organisation is set up for two general purposes, either for social or economic purpose. As a result, in Billis (2010), instead of having three sectors, divided by original criteria, the sectors can also be divided by the purpose. The public and third sector can be combined, based on the purpose of the organisation, which emphasises society rather than economy. Therefore, the hybrid organisation of public/third and third/public, which obtains the same purpose of social purpose, will no longer be hybrid based on purposes. Considering the purpose as the main criterion, the public and third have a social purpose and for-profit has an economic purpose. As a result, the hybrid locality in Billis (2010) transforms into society/economy and economy/society. Collectively, Figure 3.3 reveals the origin of organisation, based on the organisation's purpose, and the hybrid locality.

Figure 3.3: Hybrid Locality, Based on Organisation Purpose



SE is one type in the hybrid organisation. The hybrid locality, including SE location and definition, will be discussed next.

3.3 Social Enterprise Definition

The previous section provides the hybrid organisation concept. It shows that a hybrid locality is between two different organisational purposes, society and economy. SE is

located somewhere in that hybrid locality and can be defined in a variety of ways. Some literature defines SE as a hybrid organisation, originating specifically from a charity or not-for-profit organisation. Hybrid organisations, defined as SE, will use business aspects to achieve a social mission and have the dual mission of financial sustainability and social goals (Doherty et al., 2014; Ebrahim, Battilana, & Mair, 2014; Mair & Martí, 2006; Santos, 2012).

Defourny and Nyssens (2008, p.204) define SE as

“not-for-profit private organisations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamic involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity”.

In different countries, SE is defined differently in academic literature. While in the US, the definition of SE covers a broad range from for-profit with social activities to not-for-profit with business purpose; the European definition of SE is located mostly in the third (not-for-profit) sector (Defourny & Nyssens, 2008; Kerlin, 2006).

In practice, the SE can also be defined differently but is legally structured in order to receive some benefit, i.e. tax benefits. Even in the US where a broad definition is used among academic literatures, when it comes to practice, the SE is structured as a not-for-profit organisation with a business purpose and registered as a 501(c)(3) tax-exempt organisation of the Internal Revenue Service (Kerlin, 2006) (i.e., as a charity).

As a result, the definition of SE differs, depending on the context and specific purpose for the definition. Efforts to define the SE as a dichotomous perspective, based on a specific principle, may not be suitable because the meaning of SE changes over time and context (Schneider, 2016). A flexible concept, adapting to the changes of time and context, is needed. The continuum approach is proposed and expected to be flexible enough to respond to this and allows stakeholders to better understand the definition of SE (Aubry, 2017; Austin et al., 2006; Schneider, 2016). Alter (2007) and Schneider (2016) use the continuum approach to clarify the type of hybrid organisation. Alter's

(2007) concept is more specific than Schneider's (2016). Whereas Alter (2007) uses the degree of activity, related to (1) Motive (2) Accountability and (3) Use of income, Schneider uses the degree to which the organisation can control (1) Value Distribution (2) Value allocation and (3) Value creation from social to entrepreneurial function. The advantage of the general concept of Schneider (2016) is that the concept is easily adapted to contextual changes.

Alter (2007) explains that entities at the social purpose end of the continuum, will have a social motive, stakeholder accountability and use the income to reinvest in the organisation's operations or social programs. Whereas, at the other extreme, the economic purpose reflects a profit-making motive, shareholder accountability and using the income to distribute to shareholders. SEs, according to Alter (2007), are located along the social and economic continuum.

Schneider (2016) provides a concept underpinning different types of organisation, using the degree to which an organisation can control value distribution, value allocation and value creation in continuous dimensions, ranging from social to entrepreneurial. Value can be both monetary and non-monetary.

Schneider (2016) states that "Distribution refers to who uses the values created ... Allocation refers to the decision over what to do with values created" (Schneider, 2016, p. 5). In particular, the allocation involves the decision to use the value for (1) consumption, (2) savings or (3) investment. Value can be distributed to many stakeholders such as service recipients (social dimension) and/or owner, in terms of dividend (entrepreneurial dimension). The process of determining the distribution of value is referred to as its allocation. Allocation of value may be the responsibility of the collective decision from several stakeholders or the members in the social group (social dimension) or autonomous individual organisation (entrepreneurial dimension).

Schneider (2016, p. 2) also notes that "Value is the result of moving resources from lower into higher areas of productivity and yield". Value creation is the process of transforming input resources to produce outputs. For example, the weaving of raw silk

into patterned fabrics creates a product with added value that is marketable to garment businesses. The process of weaving raw silk into patterned fabrics is value creation which can be related to the entrepreneurial dimension in a broad sense that involves financial risk and using business principles in pursuit of efficiency and effectiveness to run the activities.

Based on these concepts, Schneider defines a SE as an organisation which distributes value to the social purpose (social dimension), is autonomous in its decision-making to allocate value and uses the entrepreneurial dimension to create value.

There is a linkage between Alter's (2007) continuum approach and Schneider's (2016). The motive criteria can be mapped into value distribution as it shows for whom the organisation creates value. Accountability and the use of income can be mapped into value allocation in which it is related to the decision-making over the resources and activities. (Alter, 2007) does not explicitly discuss value creation; however, in order to receive sustainable income generation, business principles should be applied to organisational operations (Alter, 2007).

Furthermore, the previous criteria of Billis (2010), Alter (2007) hybrid criteria and Austin et al. (2006), discussed in Section 3.2 can also be mapped into Schneider (2016) framework. The linkages are presented in Table 3.2.

Table 3.2: The Linkage of Schneider (2016) Framework and Other Criteria

Literature	Elements			Value Creation
	Value Distribution	Value Allocation	Value Creation	
Schneider (2016) (Degree to control from social to entrepreneurial)	Value Distribution (who uses the values created)	Continuum approach from social to entrepreneurial	The decision over what to do with values created among (1) consumption, (2) savings or (3) investment	The process of moving the resources from lower into higher areas of productivity and yield.
Alter (2007) (Degree to activity related to)	Motive		Accountability Use of Income	Income-generating by business principle
Billis (2010) (Hybrid)	Operational Priorities The operation is driven by which force of individual or collective/mission force.	Ownership	Governance (Rights to govern organisation)	Human Resource Other resource
Alter (2007) (Hybrid)	Motive (Goodwill or self-interest) Method (Mission or market-Driven) Goals (Social or economic value)	(toward mission or shareholders/owners activities)	Destination of Income	None
Austin (2006) (PCDO)	Purpose Centrality Opportunity (O)		None	P = People (and capital) C = Context D = Deal
The Master Plan: Social Enterprise (Thailand) 2010-2014	Social Focus		Value Allocation to (1) Social Return (2) Reinvest in SE	(1) Friendly production process to social and environment (2) Obtain Good Governance (3) Ensuring financial sustainability Consider as using business model
A proposed Act of the legislation: Social Enterprise, (2015)	Social Focus	A middle point of purely economic (max profit) and purely social (not-for-profit) Value allocation to 1) Social Return 2) Reinvest in SE		(1) Using a business principle and acquire primary revenue from trading or service. (2) Obtain the good governance
SE Act (2019)	Social Focus	Up to 70% of net profit will be allocated to (1) Social objectives (2) Reinvest in SE	Value allocation Up to 70% of net profit will be allocated to (1) Social objectives (2) Reinvest in SE	(1) Acquiring at least 50% of revenue from business operation (2) Obtain good governance

The Billis (2010) element of “Operational priorities” conforms with the value distribution in Schneider (2016). The “Ownership” and “Governance” elements are value allocation in the sense that ownership and governance define who and how to decide to use the value created whereas “Human resource” and “Other resource” in (Billis, 2010) can be viewed as part of the value creation process.

Referring to Alter’s (2007) hybrid criteria in Section 2.1, there are four elements of (1) Motive (2) Method (Mission-Driven) (3) Goals and (4) The destination of Income. These criteria are linked to Schneider (2016) in that motive, method and goal are linked to value distribution, and destination of income linked to value allocation. Alter (2007) does not explicitly discuss value creation; however, in order to receive sustainability income generation, the business principles should be applied for organisational operations (Alter, 2007).

Linkages between Austin et al. (2006) criteria and the Schneider (2016) framework is also possible. The central purpose or opportunity (O) criterion concurs with value distribution. In terms of value allocation, which is the decision over what to do with the values created, in Schneider (2016) framework, Austin et al. (2006) do not provide detail on how to allocate value. The elements of People and financial resources (P), Context (C), and Deal (D) can be linked to the value creation of Schneider (2016) framework because they are part of a process of moving the resources into productivity and yield. The value creation process needs people and financial resources, which will be affected by its Context and Deal to transform the resources into productivity. Because of the advantage of the concept’s generality and adaptability to change, the Schneider (2016) framework will be used as a base structure to develop the SE definition in this research.

Deriving from the Schneider’s (2016) framework, this dissertation defines the SE as “Any kind of organisation, no matter what legal form, uses business principles, including efficiency and effectiveness principles or entrepreneurial concepts to create value, and is autonomous in decision making to allocate the value created, including

economic value to (1) social benefit or (2) re-investment in order to achieve the social mission and distribute most of the value to social needs.”

In Thailand, a formal criterion for SE under the law, rules and regulation, was recently released under SE Act in 2019. Before the SE Act enactment, Thai literature studying the SE used definitions from international organisations such as the SE definition of EMES European Research Network (1999) or the definition from other international literature. Therefore in Thai studies, Mali (2014) defines SE as an organisation which aims to maximise social welfare rather than to maximise profit, whereas Tarnittanakorn (2011) defines the SE as an organisation which uses business principles for operations in order to solve social problems. Some Thai literature indicates that most of the SE in Thailand began as a community-based organisation, aiming to solve social problems within the community. Thus, their social impact is limited to a small group of people (Siriphatrasophon, 2015).

In the past years, there have been many attempts from the Thai government to promote SE in Thailand (as explained in Chapter 2 of this thesis). The Thai Social Enterprise Office (2010) explains the importance of SE, vision and policy, including related strategies for SE in a Master Plan for the period of 2010-2014. The SE key characteristics in the Master plan consists of (1) Any form of six types of community network, Not-for-profit organisation, government and state-owned enterprise, Entrepreneur, for-profit sector and Other such as religion organisation/school; (2) Focus on solving social, community and environment problems; (3) Friendly production processes with social and environmental benefits; (4) Ensuring financial sustainability by using business principle; (5) obtaining good governance in all related processes and (6) providing the profit to social benefits or reinvestment in SE.

Later in 2015, an Act of the legislation, called SE, was proposed by the National Reform Council (National Reform Council, 2015). The Act defined the key characteristics of SE, as: (1) An organisation with the primary goal of social impact, not to maximise profit to shareholders or owner, (2) Using a business principle to run the business activities and acquire primary revenue from trading or service, not from donation or

grant support, (3) The surplus from the activities will be allocated to social goal investment or public interest and (4) engage in the good governance to all stakeholders and environment. In May 2019, the Act was approved for release. The SE criteria, written into the published Act, concurs with the criteria from the past years' promotion plans.

The SE Act of Thailand, starting with overall SE definition, required an SE to register as one of the available legal forms to operate goods/services manufacturing or trading, and to have a primary objective focusing on a social objective (Royal Thai Government, 2019). Besides, firstly to match with SE Act's definition, the SE criteria are indicated in Section 1, item 5, sub-item 5.1-5.6 about SE criteria, starting firstly that, SE social objectives include hiring a group of people with special-needs, resolving social/community/environment problems, creating/producing social/community benefit or providing SE benefit to society. SEs are secondly expected to acquire not less than 50% of revenue from their business operations. An exception is made for the 'no dividend paid' SE type to allow lower than 50% of revenue to be generated from business operations. The third requirement is resource allocation, as at least 70% of net profit must be allocated to social objectives as in the first item of the criteria. The net profit can be allocated to pay a dividend but it may not exceed more than 30% of net profit. Of note, should a SE allocate the net profit by reinvesting in its operation, this is considered to be allocating the resources to the social objective. The fourth requirement is to comply with general principle of good governance. The fifth requirement is that there should be no historical record of the SE having been withdrawn from the register. This last criteria is related to SE's shareholders, specifying that the shareholders of over 25% of all shares must not be the same shareholders of a SE that was previously withdrawn.

The criteria in the Master Plan and proposed Act can also be mapped into Schneider's (2016) framework. In the Master Plan "Focus on solving social, community and environment problems", can be classified as value distribution, whereas "Providing the profit to social or reinvest in SE", can be classified as value allocation. In terms of "Friendly production processes with social and environmental benefits", "Ensuring

financial sustainability by using the business principle” and “Obtaining good governance in all related process” can be classified as value creation.

For the proposed SE Act, the key characteristic of “An organisation with the primary goal of social impact, not to maximise profit to shareholders or owner” is the equivalent of Value distribution. The key characteristic of “The surplus from the activities will be allocated to social goal investment or public interest” can be aligned to value allocation. Lastly, the key characteristic of “Using a business principle to run the business activities and acquire primary revenue from trading or service, not from a donation or grant support” and “engage in the good governance to all stakeholders and environment” is similar to value creation.

Finally, after the SE Act was released, the criteria in the SE Act can be mapped into Schneider (2016) as well. The first criteria about social objectives concurred with value distribution. The second criteria that 50% of revenue must be generated from business can be mapped into value creation, as well as the fourth criteria about acquiring good governance. The third criteria, indicating research allocation, aligns with value allocation, whereas the fifth and the last criteria are general SE rules. Therefore, using Schneider’s (2016) framework in this research is valid because the framework covers all referred criteria, including the criteria in the context of Thailand.

Not only does using Schneider’s (2016) framework help to define SE, the framework can also be used to approximately locate the types of hybrid organisation, including SE, in their hybrid locality. The types of hybrid organisation are presented in Figure 3.4.

Figure 3.4: The Type of Hybrid Organisation

(The figure is adapted from Alter (2007, p. 14))

	Not-for-profit	Not-for-profit with Income generating	Social Enterprise	Social Responsibility Business	Corporate Social Responsibility	Business
Purpose	Social	Social Economic	Social Economic	Economic Social	Economic Social	Economic
Value Distribution	Social	Social	Social	Ent.	Ent.	Ent.
Value Allocation	Social	Social	Ent.	Ent.	Ent.	Ent.
Value Creation	Social	Ent.*	Ent.	Ent.	Ent.	Ent.

* Ent. = Entrepreneurial

From Figure 3.4, there are four types of hybrid organisation, called Not-for-profit (NFP) with income generation, SE, Social Responsibility Business (SRB) and Corporate Social Responsibility (CSR) (Alter, 2007). Not-for-profit, with income generation, shares similarity of purpose and value distribution aspects with the SE in that both types have social and economic purposes, and the value is distributed to society. The difference is that the economic purpose of Not-for-profit, with income generation, is merely for cost recovery within a certain period of time, whereas the SE economic purpose aims to achieve financial sustainability (Alter, 2007). Another difference is that value, created by the NFP, with income generation, is allocated by social processes rather than by the autonomy of the organisation. SRB and CSR have the same primary purpose of economic, combined with a social purpose. The distinction of SRB and CSR is that the SRB is more focused on social purpose, whereas the CSR considers the social purpose as part of profit maximisation processes.

Collectively, the SE definition in this dissertation was developed from a theoretical perspective, based on Schneider's (2016) framework. The developed SE also takes a practice perspective (i.e., SE Act) into account. Hence the SE definition in this dissertation corresponds to both theoretical and practical aspects. Any organisations, which match to the definition, can be classified as SE, in contrast, the organisation which does not match the definition, will not be included in the scope of this dissertation. For example, public and private hospital and the public and private university will not be included in this dissertation's scope as a private hospital or

university distributes its net profit mostly to individual shareholders. Besides, a public hospital or university which receives most of the revenue from government support, grant or donation will not be considered as a SE because it fails to generate its own income from business operations.

Collectively, the definition and location of SE show the distinctive characteristic of SE which is a combination of two different purposes within the same organisation. These missions can create tensions between each other. The tension will be discussed in the next section.

3.4 Social Enterprise and Dual Mission

Section 3.3 introduced the SE definition and its location in a continuous dimension of social and economic purpose in the hybrid locality. Referring to the previous section, hybrid organisations, including SE, incorporate dual missions within the same organisation. The dual mission is to achieve social and economic purposes; however, these missions derive from different incentives and contradict each other since the achievement of one mission is at the expense of another (B. R. Smith, Knapp, Barr, Stevens, & Cannatelli, 2010). Dual missions also involve different stakeholders. Combining key characteristics of a dual mission with wide stakeholder involvement could create tensions between the dual missions and existing stakeholders (W. K. Smith et al., 2013). Nevertheless, the degree of tension, involving competing mission characteristics and wide stakeholders, will be different, depending on the degree of contrast of those missions and the obligation of the organisation to retain those missions. Pratt and Foreman (2000) framework, which attempts to resolve the multiple organisation identity, can be used to demonstrate the degree of tension in the hybrid organisation, including SE. Table 3.3 exhibits the use of the framework.

Pratt and Foreman (2000) use the concept of “Plurality” and “Synergy” to define the solution to the multiple organisation identity (Pratt & Foreman, 2000, p. 23). The organisation’s purpose and identity are closely intertwined because the identity is originated by the organisation’s purpose. An organisation’s purpose is why the organisation acts as they did. When the actions repeatedly occur, they become an

organisational identity to exhibit who the organisation is (Yeatman, 2015). Therefore, organisational identity can be used to compare the extent of focus on mission or purpose.

The terminology of plurality means that the organisation obtains multiple purposes (Pratt & Foreman, 2000). High plurality exhibits the necessity to retain all organisational purposes because they are all important to the organisation's sustainability (Pratt & Foreman, 2000). Such necessity depends on (1) critical/powerful/legitimate stakeholders (High=many important stakeholders) (2) the effect of future sustainability (High = great effect to the future sustainability) and (3) resource constraint (High=limited resources) (Pratt & Foreman, 2000). For the terminology of synergy, it reveals whether the purpose can be combined (Pratt & Foreman, 2000). High synergy indicates a high propensity to combine the purposes (Pratt & Foreman, 2000). The consideration to combine the purposes will depend on (1) Compatibility (2) Interdependence and (3) Diffusion (Pratt & Foreman, 2000)

Table 3.3: Pratt and Foreman's Framework and Hybrid Organisations

Hybrid organisation	Plurality (High Plurality-Retain all purposes)						Synergy (High Synergy-High propensity to combine purpose)					
	Number of Critical/Powerful Stakeholder		Effect of future sustainability		Resources constrained		Compatibility		Interdependence		Diffusion	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Not-for-Profit (NFP) with income generation		✓		✓	✓			✓		✓		✓
Social Enterprise (SE)	✓		✓			✓		✓				✓
Social Responsibility Business (SRB)		✓		✓		✓			✓			✓
Corporate Social Responsibility (CSR)		✓		✓				✓				✓

Table 3.3 reveals the use of Pratt and Foreman's (2000) framework, applied to the hybrid organisation. There are four types of hybrid organisation in the hybrid locality, referring to the previous section. The four types are (1) NFP with income generation - intending to generate income merely to cover certain costs in a certain period (2) SE (3) SRB and (4) CSR. In a plurality perspective, resource constraint is a shared characteristic among all types of hybrid organisations. Resource scarcity is one of the characteristics of NFP and SE (Austin et al., 2006). The SRB and CSR have an economic primary purpose but combine social purpose in different degrees, in that SRBs focus more on social purposes than CSRs do. Allocation of resources to social programs will be limited because it is not the primary purpose of the organisation.

Even though those hybrid organisations, except SE, have dual missions, they have critical/powerful stakeholders and purposes. An NFP with income generation has social stakeholders and social purpose as the dominant mission, whereas the SRB and CSR have economic stakeholders and economic purpose as the dominant facet. In contrast, SE has no dominant stakeholder and purpose because social and economic purposes are both important, and the economic purpose enhances sustaining the social goals. Consequently, the NFP with income-generation, SRB and CSR all acquire low plurality (some purposes can be discarded); whereas SE acquires high plurality (all purposes need to remain). The force to retain all purposes in SE can accelerate the tension between the purpose of society and economy more than other types of hybrid organisations.

For synergy, which is the tendency to combine the purposes, social and economic purposes are naturally different. Such purposes cannot be synergised because they are not compatible or are diffused. As a result, all hybrid organisations obtain low compatibility and diffusion. In terms of interdependence, social purpose and economic purpose in SE are highly interdependent, as the economic purpose provides social purpose sustainability, compared to NFP with income generation, SRB and CSR. The high interdependency of purpose for SE increases the tension between the purposes more than other hybrid organisations. Collectively for those reasons of plurality and

synergy consideration, SE has more significant tensions between its missions than other types of hybrid organisations.

With characteristics of high plurality and low synergy of SE, tension seems to be inevitable. Several types of tension originate from dual missions. W. K. Smith et al. (2013) categorise four types of tension of SE, which are 1) performing (tension from performing to respond to different purposes) 2) organising (tension from different organisational structure) 3) belonging (tension from different identity, deriving from different purposes) and 4) learning (tension from temporal mismatching and outcome: a social goal is likely to take longer to achieve than an economic goal, which confuses strategic planning).

The tension of the SE will force them to trade-off their goals. Referring to high plurality and low synergy of the dual mission, performing tension occurs as can be seen in microfinance business. Microfinance aims to resolve a poverty problem by providing financial services to poor people who have limited access to the regular financial institution (Epstein & Yuthas, 2010). Such services help to increase family revenue and eventually lead to poverty reduction (Epstein & Yuthas, 2010). However, as lending to poor people cannot generate sufficient income, in order to achieve financial sustainability, some microfinance organisations commercialise themselves to become regulated financial institutions (Epstein & Yuthas, 2010). The performing tension occurs when the microfinance provider needs to focus on regular customers in addition to poor people. Moreover, as a regulated financial institution, the bank regulator becomes a new critical stakeholder who may be at odds to the needs of poor clients (Epstein & Yuthas, 2010), for instance, a requirement of minimum income needs to be met before individual loan approval. Not only does high plurality and low synergy characteristics induce the performing tension but also create a learning tension. The ultimate goal of SE is society, i.e. poverty reduction. However, this social goal is a long-term goal, whereas the economic goal focuses on the short-term. Consequently, there is a temporal mismatch in measuring success in SE, which finally leads to a learning tension.

In addition to microfinance examples, the performing and learning tensions can derive from different perspectives of stakeholders (high number of critical/powerful stakeholders) towards SE. For example, the SE, originating from NFP, can be perceived as having a social purpose, therefore a business aspect will provide conflicts in existing stakeholders (B. R. Smith et al., 2010), which causes a performing tension. Moreover, the perception of SE success is different among stakeholders. Social stakeholders tend to desire long-term social outcomes, whereas economic stakeholders tend to focus on short-term economic outcomes. This situation generates learning tension.

The origin of SE also produces organising tension at the organisational level and belonging tension at the individual level. At the organisational level, the organising tension occurs when the organisation has a strong existing organisation identity (B. R. Smith et al., 2010). At an individual level, the belonging tension occurs when members acquire a strong existing identity (B. R. Smith et al., 2010). For example, the organisation, which is rooted in NFP, has a strong social identity for the organisation and its members. Whenever the organisation acquires another identity, the tensions occur, especially when the new identity has different incentives from the existing identity, namely an economic identity (B. R. Smith et al., 2010).

In contrast to an organisation enacting as SE, the organising and belonging tensions tend to be lower because the enacted SE and its members are aware of both social and business identities (B. R. Smith et al., 2010), from its establishment. However, the tension still occurs because the members tend to focus more on the business rather than social aspects because the business aspect is more measurable than social aspects (B. R. Smith et al., 2010).

Some SEs, which fail to manage social and business objectives, may find it challenging to grow. For example, over-emphasis on social goals can be harmful to the business objective. Naszalyi and Slama-Royer (2016) demonstrated an example from their paper, finding that a home care service association attempted to retain its low-price and high-quality service, leading the association into bankruptcy because it could not generate sufficient income to cover unexpected increases in labour costs.

The SE, which can manage its dual mission, can create continuous social impacts. For example, a long-standing Thai foundation, operating as a SE over 30 years, successfully generated social impact to improve the hill tribes' quality of life by increasing hill tribes' educational opportunity and income. The percentage of hill tribe citizens holding a bachelor degree increased from 0.2% in 1993 to 7.9% in 2016, whereas hill tribes communities' income increased over 100% from 1988 to 2016 (Mae Fah Luang Foundation under Royal Patronage, 2017). Another SE example is a cooperative, operating for more than 15 years. It encourages rural organic farming and value-added agriculture products, successfully increasing coconut agrarians' income by 100% and decreasing plantation costs by 31% (Achavanuntabul & others, 2017).

Much literature investigates how to manage the tensions between SE missions and stakeholders; however, most of them propose a theoretical analysis of the solution rather than empirical evidence. W. K. Smith et al. (2013) provides suggestions on how to solve performing and learning tensions by clearly defining the measurement of outcome. This should enable the SE to achieve its goals and satisfy its stakeholders' needs. Ebrahim et al. (2014) investigate the governance of SE to prevent mission drift. One of the theoretical proposed solutions to prevent mission drift is "outcome-based controls" (Ebrahim et al., 2014, p. 89). The outcome-based control is consistent with performance measurement control which reveals whether the SE emphasises one mission over another, and therefore to detect if the SE has mission drift (Ebrahim et al., 2014). While performance measurement, which is one kind of MC, is included, other MC are not explored in the literature. The MC is regarded as a tool to ensure goal achievement and can be a solution to solve the tension with dual missions. The MC will be discussed in the next chapter.

3.5 Summary

In summary, this chapter provides a theoretical concept, starting with a hybrid organisation concept and then a continuum concept in an attempt to develop a SE definition. After the SE was defined, the SE has been located in the continuum area between purely social (Not-for-profit) and purely economic (business entity) which reveals a distinctive characteristic of SE, called dual mission. The chapter also explains

how the dual mission induces conflict between competing goals by using a multiple organisational identity framework. The effect of conflict has been shown in terms of the example of mission drift in SE, while, a well-managed dual mission SE can continuously create social impact. The potential solution to manage the tension between the dual goals has been introduced, including using Management Control (MC) as a tool for dual mission confliction reduction. The next chapter will discuss the MC.



CHAPTER 4 MANAGEMENT CONTROL (MC)

4.1 Introduction

Previously in Chapter 3, the Social Enterprise (SE) literature has been reviewed, and the SE definition used in this dissertation constructed. In this chapter, the MC literature will be revealed, attempting to define MC definition and to select the MC conceptual framework for this study. MC definition is essential as it guides the result of MC research and practice. The MC definition will be developed in Section 4.2, based on previous literature, to ensure that the definition is wide enough to reflect the use of MC in SE. Once the MC definition is developed, the MC conceptual framework selected will coincide with the definition. Section 4.3 provides the MC conceptual framework. Besides, the literature on the use of MC in SE is also explored in Section 4.4 to discuss the MC usage in SE or SE-like organisation. The last section (Section 4.5) is a summary of the chapter. The next section is presented as follows.

4.2 Management Control Definition

Defining the term of Management Control (MC) is essential in MC research. It has been subject to different definitions which lead to different interpretations of research results and the design of MC (Malmi & Brown, 2008, p. 3). One of the first definitions of MC is provided by Anthony (1965).

Anthony (1965) attempts to provide a planning and control systems framework for further exploration. He distinguishes definitions of strategic planning, management control and operational control in his framework. First, strategic planning was defined as “the process of deciding on objectives of the organization, on changes in these objectives, on the resources used to attain these objective, and on the policies that are to govern the acquisition, use, and disposition of these resources.” (Anthony, 1965, p. P.24). The strategic planning primarily involves the organisational process of objective establishment and planning how to accomplish these objectives (Anthony, 1965). Strategic planning is therefore a planning activity.

Secondly, MC was defined as: “the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives” (Anthony, 1965, p. 27). Some key characteristics of MC are that it: (1) is used by manager/s (2) is a process to implement pre-set strategies from strategic planning, leading to organisation goal achievement (3) involves the totality of the organisation. The MC activities include both planning and control activities (Anthony, 1965).

Moreover, Anthony 1965 acknowledges operational control as separate but complementary to MC. He defines operational control as “the process of assuring that specific tasks are carried out effectively and efficiently.” (Anthony, 1965, p. 69). Operational control focuses on specific tasks and the activities are mostly control activities (Anthony, 1965).

In both MC and operational control, Anthony (1965) stated that “effectiveness” will happen “when a specific desired end is attained” and “efficiency” as “the optimum relationship between input and output”. Anthony (1965) is aware that the optimum relationship can vary in management practice. Conversely, Otley (1994) suggested that defining the MC as a process of effective and efficient use of resources could lead to over-emphasis on the MC and thus confines it to accounting-based MC. Therefore, the revised MC definition in Anthony’s later work (see below) has no term of “effective and efficient”.

Anthony’s 1965 MC definition focuses on the formal system in a structured (or decentralised in later works) organisation because his aims are that his framework could be used by the MC designer. The formal MC can be designed within a structured organisation which has clear authority between the manager/s and subordinates with whom the managers will use the control. He argued that an unstructured organisation, for example, a small organisation with only one person to make the decision, brings a different aspect on how to control the organisation.

In a later definition, Anthony and Govindarajan (2014) defines MC as “the systematic process by which the organization’s higher-level managers influence the organization’s lower-level managers to implement the organization’s strategies”. In the recent MC definition, the “systematic process” is added to explicitly reflect that the MC definition focuses on formal MC which can be designed by MC designers to implement the strategies for goal achievement. In addition, the “organisation’s higher-level and lower-level managers” reflects the structured organisation as in the previous MC definition. The term “effective and efficient” are omitted.

Even though Anthony 1965, including the later works, focused his definition on formal/systematic processes, he realises that the informal process is important and MC cannot be successful without considering the informal process, for example, work ethic, management style or culture (Anthony, 1965).

In his seminal paper, Ansari (1977, p. 102) defines the control system as “those organisational arrangements and actions designed to facilitate its members to achieve higher performance with least unintended consequences”. The Ansari’s definition implies human aspects (i.e. human behaviour) and he provides two perspectives of control: the structural and behavioral views. The structural perspective considers control as an information network, being used to communicate performance information for rules or measurement setting, whereas the behavioral perspective considers how control can affect human behavior (Ansari, 1977). For example, in seeking to develop an integrative organisational control model, Flamholtz, Das, and Tsui (1985, p. 35) define control as “attempts by the organisation to increase the probability that individuals will behave in ways that will lead to the attainment of organisational objectives.” This definition explicitly shows the intention to direct human behaviour in the organisation to achieve the goal and is regarded as a behavioural perspective. Accordingly, management is now more explicitly considered and the term MC recognises this.

Similar to Anthony’s definition, Ansari (1977) emphasises the definition of control system as the designed control and does not include the control which Anthony called

“operational control”. The designed control implies formal/systematic processes as in Anthony’s definition. Even so, the behavioural perspective was introduced, suggesting that there are other human behaviour perspectives that should be included in the definition. The human aspects can include the importance of informal processes as in Anthony’s discussion, and later MC literature defined MC extensively to cover other social aspects (i.e. staff behaviour) (Andrew J Berry, Coad, Harris, Otley, & Stringer, 2009).

In a more recent attempt to define the meaning of MC, Chenhall (2003) categorises the MC into a passive and an active tool. Similar to the structural perspective, the passive tool focuses on the information system, providing the information to assist managers for further actions. The behavioural perspective is reflected in the active tool which focuses on ensuring individuals achieve their goal and ultimately the organisation goals (Chenhall, 2003).

As a result, it can be concluded that MC has two elements which are (i) the structural view or a passive tool and (ii) the behavioural view or an active tool. Both elements emphasise goal achievement. Researchers have utilised different MC definitions, depending on their research objective. They may focus only on one perspective - either structural (a passive tool) or behavioural (an active tool), or both.

Other literature provides combined views in their MC definition. For example, to explore the necessary conditions of a cybernetic model of control to design the accounting information and control systems in human organisation, Otley and Berry (1980, p. 232) define their control as “its full cybernetic sense of both monitoring activities and then taking action in order to ensure that desired ends are attained.” In developing how MC could operate from both perspectives, Simons (1995) provides the Levers of Control. He defines the MC as “the formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities” (Simons, 1995, p. 5). Simons (1995) also explains further that “these information-based systems become control systems when they are used to maintain or alter patterns in organisational activities.” The definitions of Otley and Berry (1980) and Simons (1995)

combines both perspectives where MC provides information (the structural view) and also depends on how managers can take further actions or alter the patterns of human behaviour in order to consider the MC in a behavioural perspective.

For Otley and Berry (1980), the definition was developed to propose a model for control system design. Hence, the definition possibly focused more on formal control than informal control as explained in Anthony (1965). An implication of human behaviour involvement is revealed when the definition indicates that the control will be used in a human organisation. For Simons (1995) the definition of MCs is “formal routines and procedures” and exclude informal activities. An explanation could be that the purpose of Simons (1995) is to provide a MC framework for strategy implementation therefore the framework should provide systematic information to compare the targeted strategies and actual results from the implementation, i.e. whether the strategies are valid or any adjustment should be made on the strategy implementation process.

All of the above definitions explicitly reveal the formal/system control and implicitly include some human aspects, leading to applying informal control.

In an early attempt to provide a conceptual framework for the design of organisational control mechanisms, Ouchi (1979) indicates that the formal rules or the explicit rules, in his terms, cannot be captured entirely in writing. In a complicated situation, where rules cannot be written to cover all situations or existing rules cannot be adequately monitored, informal social structures could be useful in order to reduce intensive use of the formal rules (Ouchi, 1979). Ouchi (1979) explains that informal social structures can be developed through a socialisation process. This process aims to ensure that the people in the same social group have or act in the same manner or for the similar goals or value, and thus become a “clan” (Ouchi, 1979, p. 837).

Once the manager can ensure that the staff will act in the same manner for the same objective, the formal rules can be reduced to some degree. As a result, clan control is one kind of informal social structure to fill the gap of using only formal rules in the control system. The MC definition of Malmi and Brown (2008, p. 290) is an example which includes clan control in the framework. Malmi and Brown (2008) define MC by

not only scoping the formal activities but also so that the “system, rules, practices, values and other activities” cover informal activities. Malmi and Brown (2008) focus their control definition on the behavioural perspective in order to propose a new typology for MC. They state that the “system, rules, practices, values and other activities management put in place in order to direct employee behaviour should be called management controls” (Malmi & Brown, 2008, p. 290).

Malmi and Brown (2008) claim that their MC definition extends beyond Anthony (1965) to include operational control and any activities that can direct employee behaviour. Anthony (1965) excluded the operational control from his MC definition because it is related to specific tasks, not the overall organisational goal. Including operational control means that the purpose of MC from Malmi and Brown (2008) covered more than merely organisational objectives, for example, taking in department goals.

When research is conducted, the MC should be defined in a proper way to answer the research question. In the dissertation, the research question aims to explore the MC, used to resolve the tension between dual goals in SE. Therefore, the MC definition should focus on organisational goal achievement rather than specific tasks goal. In addition, the MC definition should not only concentrate on the MC designer as Anthony (1965) did. Besides, SE is situated in a complex context when considering its dual mission and its involvement with many stakeholders. Consequently, the definition of MC in this dissertation should be broad enough to cover both MC perspectives and all necessary activities including informal activities to ensure organisation goals achievement.

As a result, this dissertation defines the MC as “any activities, including formal and informal activities which provide feedback or information to managers to take further actions both for decision making or to direct behaviour, including cooperative behaviour throughout an organisation to achieve organisation’s strategies and goals.” The definition ensures that none of the MCs are not excluded when investigating MC

in SE. Section 4.3, following provides the MC Conceptual Framework, used in this dissertation.

4.3 Management Control Conceptual Framework

Section 4.2 defined the MC, which anchors this dissertation. The MC definition is related to the MC framework by being broad enough to cover necessary MC perspectives and activities; the MC conceptual framework should concur with the definition, covering more extensive MC elements.

Speklé (2001) noted that any diversity in MC frameworks develops from the theory underpinning the framework. Some frameworks reveal only part of the control element, for example, a performance measurement framework. Conventional MC uses a “command-and-control” concept (Simons, 1995, p. 3) and it does not work well in a competitive business environment because it could obstruct creativity/innovation (Simons, 1995). A dominant accounting-based MC framework may not be suitable to capture the MC required in complex contexts (Hewege, 2012). SEs acquire dual missions and are involved with many stakeholders, hence defining MC and using a specific MC element framework may not cover all SE’s activities. For this reason, this dissertation opted to select a comprehensive MC framework to be used as a conceptual framework. The comprehensive MC framework means the framework covers a variety of MC, not particular MC, which can facilitate organisational goal achievement.

Even though, a comprehensive MC framework is limited (Andrew J Berry et al., 2009; Speklé, 2001), it is widely recognised that Simons Levers of Control (LOC) framework, proposed by Simons (1995) and MC as a package, proposed by Malmi and Brown (2008) combine to cover a full set of controls (Andrew J Berry et al., 2009).

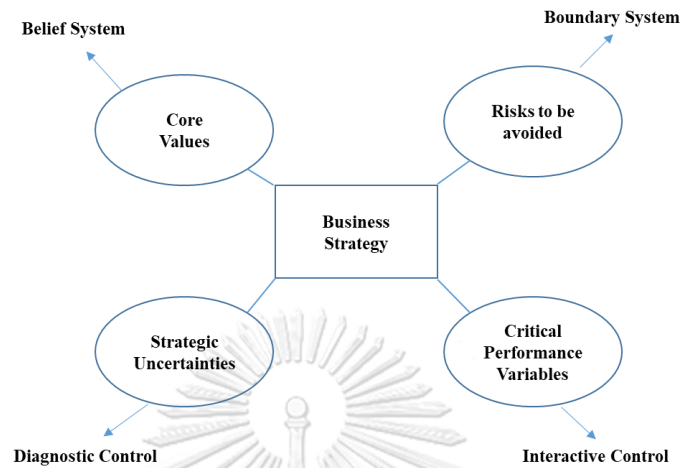
Simons’ LOC is used to implement business strategies (Simons, 1995). The LOC framework intends to include MC to enhance creativity, inspiration, improvement and innovation into “command-and-control” MC so that companies can compete in a competitive market (Simons, 1995, p. 3). To ensure successful implementation of business strategy, four components are constructs, comprising: (1) Core Value, (2)

Risks to be avoided, (3) Critical Performance Variable and (4) Strategic Uncertainties (Simons, 1995). These four constructs are related to four individual control systems, called belief system, interactive control systems, boundary system and diagnostic control systems (Simons, 1995). The Core Value is related to the belief system MC, the risks to be avoided is related to the boundary system MC, whereas the Critical Performance Variable is related to diagnostic control systems and Strategic Uncertainties is related to interactive control systems, (Simons, 1995). A purpose of the belief system is to inspire and guide organisational members to pursue opportunities or activities, fulfilling the core value (Simons, 1995). The boundary system is a limitation for opportunities seeking to ensure that only worthwhile opportunities or activities are explored; otherwise, organisational resources will be wasted (Simons, 1995). Interactive control systems are to detect strategic uncertainty and allow new creativities to respond to such uncertainties, while diagnostic control systems are to monitor outcomes of pre-set strategies (Simons, 1995).

Simons (1995) compares the controls in the lever to positive and negative forces. By positive and negative, he means controls in the lever are opposed (Simons, 1995; Tessier & Otley, 2012). Opposite controls lead to a suggestion that all controls in the levers should be working together to enhance a balance between forces in order to achieve implementation of the strategies (Simons, 1995). According to Simons (1995), belief system and interactive control offer positive forces, whereas boundary system and diagnostic control offer negative forces. In case an organisation uses the belief system to allow exploration of opportunities, boundary system should be exercised simultaneously to ensure that only possible and relevant opportunities are explored. Figure 4.1 demonstrates the LOC.

Figure 4.1: Simons' Levers of Control

(Figure 1.2 in Simons (1995, p. 7))



Malmi and Brown (2008) proposed another comprehensive MC framework, called MC as a package. Although much literature investigates MC individually, such as performance measurement, Malmi and Brown (2008) remind researchers that controls should not be investigated separately. Thus, they propose a typology of control. There are five typologies: cultural controls, planning, cybernetic controls, reward and compensation, and administrative controls. The proposed typology is intended to broaden the scope to combine all controls as a package. Management control package is a combination of various controls. Figure 4.2 exhibits the MC as a package proposed by Malmi and Brown (2008).

Figure 4.2: Management Control as a Package

(Figure 1 in Malmi and Brown (2008, p. 291))

Cultural Control						
Clan		Values			Symbols	
Planning		Cybernetic Controls				Reward and Compensation
Long Range Planning	Action Plan	Budget	Financial Measurement Systems	Non Financial Measurement Systems	Hybrid Measurement Systems	
Administrative Controls						
Governance Structure		Organisation Structure			Policies and Procedures	

From Figure 4.2, the first typology is cultural controls. Cultural controls consist of clan, value and symbols control (Ouchi, 1979). Clan control is a specific culture within a subgroup of the organisation. The value control uses the belief system concept in Simons (1995) for its reference. The symbols control recognises explicit symbols demonstrate the beliefs of the organisation. The second Malmi and Brown (2008) typology is planning. Planning is used to set the goals and standards, then to monitor the activities to ensure that they are following the plan. The planning control has two parts: (1) Long range planning and (2) Action Planning. Whereas long range planning focuses on strategic planning in the long term, action planning focuses more on short term plan and tactics. The third typology from Malmi & Brown (2008) is cybernetic controls. The cybernetic controls are used to monitor organisational performance and consist of budgets and performance measurement, including financial, non-financial and hybrid performance measurement. Malmi & Brown's (2008) fourth typology is reward and compensation. Reward and compensation attempt to motivate the employee to do what the manager wants. They consist of both extrinsic and intrinsic rewards and compensation. The final typology is administrative controls, which consist of: (1) organisation structure, (2) governance structure and (3) policies and procedures. All of these three controls provide the organisation relationship structure, accountability structure and the specific domain which the employee can or cannot perform.

The comprehensive MC framework from Simons (1995) and Malmi and Brown (2008) operates with different concepts. Simons (1995)'s framework focuses on the use of control and explicitly indicates that the MC in the Lever has to be working together. The LOC concept is similar to Anthony (1965) and Anthony and Govindarajan (2014) in that the MC should (1) work across the organisation (2) work in an "orchestrated" manner (3) seek for cooperation. In contrast, Malmi and Brown (2008)'s framework focuses on the type of control and does not imply any relationship between the controls. Therefore, Simons (1995) implies the MC is a system and Malmi and Brown (2008) that the MC is a package. The terms (the MC as a system or as a package) were actually proposed/defined by Grabner and Moers (2013). MC as a system means that each MC is interrelated and this idea is fundamental to the design of the MC (Grabner & Moers, 2013). MC as a package is a MC, combination of MC or MC system which may or may

not be interrelated. The differentiation is that interrelationship of the MC is not considered when the MC is designed (Grabner & Moers, 2013). In other words, MC as a package means that the designer of the MC randomly selects controls to resolve control problems.

SE is a hybrid organisation with a dual mission of social and business objective. With the different motive of each objective (i.e., social objective for social performance maximisation vs business objective for profit maximisation), achieving one objective can be at the expense of another. Using a MC solely to achieve the single mission without considering the effect to another mission may lead to mission drifting from the pre-established mission of SE. An attempt to retain dual missions could produce tensions between dual goals. A plausible solution to resolve or lessen the tension should be a way to enhance cooperation between the goals. Such a plausible solution concurs with the MC definition in this dissertation to include the cooperative behaviour. Consequently, the MC which could be anticipated to resolve the tension would (1) consist of various Management Controls (MC) and (2) consider the relationship between MC of both purposes. Figure 4.3 proposes the MC interrelationship concept for SEs.

Figure 4.3: Proposal of MC in SE

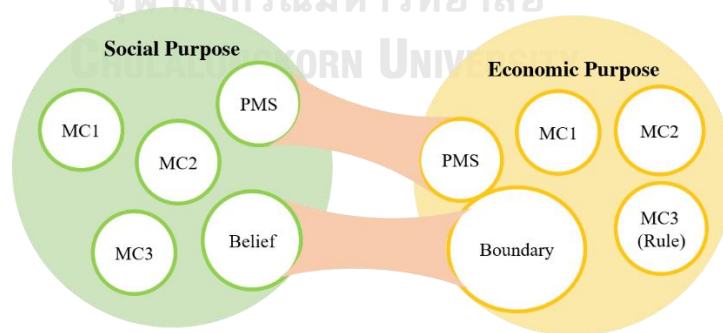


Figure 4.3 explained in that the individual use of Performance Measurement System (PMS) for each purpose of SE can only focus on either social or business dimension. However, to solve the tension between the purposes, there should be at least one dimension to link between the PMS in the social purpose and PMS in the economic purpose. Another example from Figure 4.3 is that the belief system is set to enhance

social opportunity. At the same time, the boundary system in terms of the economic perspective should be set to limit the area in which related opportunities should be explored. The connection between the MC in each purpose could help SE to resolve a dual purpose tension.

For this reason, extrapolating from the statement above, this dissertation anchors the MC conceptual framework to the MC as a system. Furthermore, Simons' (1995) framework is about the use of control, while, Malmi and Brown's (2008) framework is about the type of control. The research question of this dissertation aims to investigate the use of MC in SE. Collectively, Simons (1995)'s framework is suitable to be the base of a conceptual framework.

Simons' (1995) LOC is widely used in MC literature. However, there are debates about the meaning of each of the levers of control among this literature (Tessier & Otley, 2012). At the beginning of Simons' (1995) introduction chapter, he indicates a separation between the systems in the LOC (i.e. belief/boundary system) and the use of these system. He states that "selecting these levers and using them properly is a crucial decision for managers" (Simons, 1995, p. 8). However, when he attempts to define each system in the levers, he couples the system and the use. For example, he states that "beliefs systems, used to inspire and direct the search for new opportunities" (Simons, 1995, p. 7) without a clear explanation of what belief system means. He then emphasises that each system can be used in a certain way when he compares the system to Chinese philosophy that "belief systems and interactive control systems—create positive and inspirational forces" (Simons, 1995, p. 7). Of these, subsequent researchers can interpret whether the belief system should be used in a positive way or be used only to inspire, leading to relabeling these controls as positive controls even though the belief system could be used to limit human behaviour (or in a negative way). Thus, Tessier and Otley (2012) revised the LOC framework in an attempt to resolve ambiguities in the original framework.

Tessier and Otley (2012) argue that the comparison of controls to positive and negative forces and a lack of explicit definition of positive and negative controls make the

framework unclear and implies that the control can be divided into positive and negative aspects (Tessier & Otley, 2012). Tessier & Otley (2012) improve this ambiguity by distinguishing between the role of control and the quality of control. The roles of control are either enabling or constraining. The enabling role covers MCs used to promote creativity and flexibility in the organisation, whereas the constraining role are MCs used to ensure the predictability of the outcome. Both of the roles are desirable. However, for the quality of control, which is divided into good (i.e. a control which enhances a desirable innovation) and bad control (i.e. a control which delays working process), good control is more desirable than bad (Tessier & Otley, 2012). The separation argued for by Tessier and Otley (2012) would help to make Simons's (1995) framework clearer in that the control itself is neutral and has different roles, but the quality of control (whether good or bad) will depend on the perception of the user with respect to the control. The implication from the Tessier and Otley (2012) revision that the control is neutral diminishes the necessity of control balancing as underlined in Simons' (1995) original LOC.

The dual role of control is first the managerial intention to show what the manager would like to achieve from using the control (Tessier & Otley, 2012). The employee's perception of the control depends on how the manager presents the control to the employee. The presentation of the control will affect the employee's attitude toward the control and therefore, whether the control is positive, negative or neutral. The dual role of the control, both enabling and constraining, is included in the revised framework (Tessier & Otley, 2012).

Also, Tessier & Otley (2012) attempt to separate the meaning of the role of control systems from the objective of the control systems. They found that the objective of control systems from the literature can be divided into "do this" and "do not do that", and further uses the term of performance instead of "do this" and the term of compliance instead of "do not do that" (Tessier & Otley, 2012, p. 176). This separation of meanings could help researchers to distinguish between the objective and role of control systems. The separation implies that one objective of control can have both roles of enabling and constraining, depending on managerial intentions. Also, Tessier and Otley (2012) state

that a manager can use reward and punishment to link to the objective of control in order to achieve the intentions of the goal/s. For example, the manager can reward the staff members who “do this” and punish those who don’t. Reward and punishment are, therefore, related to managerial intention and will be included in the revised framework.

By comparison, the original framework of Simons (1995) has interactive and diagnostic controls in the levers. In the interactive control, Simons (1995) explains that this control will be used to detect strategic uncertainty and later combines the use of control in an interactive way. As a result, it is unclear whether interactive control is a control or whether it is how the control is used (Tessier & Otley, 2012). To clarify this, Tessier and Otley (2012) propose reclassifying interactive and diagnostic controls to be the use of control, instead of the control itself. The use of control, interactively or diagnostically, will be included in the revised framework.

As noted, when it comes to the boundary system of Simons (1995), this is the limitation of the members’ activities in the organisation (Simons, 1995). Simons (1995) divides the boundary system into the strategic boundary and business conduct boundary. The strategic boundary is a tool to limit opportunity-seeking to ensure that only “proper” opportunities will be explored, such as strategic planning (Simons, 1995). On the contrary, the business conduct boundary is the barrier to behaviour, used to ensure the proper behaviour of the individual, such as a code of conduct, rules and standards (Simons, 1995). Tessier & Oltey (2012) suggest that, by its definition, the boundary system is an objective of control, regarding, “do not do that” (i.e., compliance), and also indicates that the terms strategic and business boundary are used at a different organisation level. The way the levels are currently combined by Simons (1995) can create ambiguity in applying the framework. Tessier & Oltey (2012) therefore propose separating the system into strategic and operational levels. The revised framework will, therefore, consider the boundary system as part of the objective of control in the compliance objective. It will also have two levels, which are strategic boundaries (boundaries for improper opportunity-seeking) and operational boundaries (forbidding of individual behaviour in day-to-day activities). Conforming to the compliance objective, the performance objective is also divided into two organisational levels - the

strategic and operational level. Strategic performance is used to detect strategic uncertainty or strategic validity, whereas operational performance focuses on the critical performance variable as part of a performance control system. The operational performance also conforms to diagnostic control in Simons' (1995) original framework. As a result, in the revised framework, the control system works at the (1) operational boundary, (2) strategic boundary, and for (3) operational performance and (4) strategic performance (Tessier & Otley, 2012).

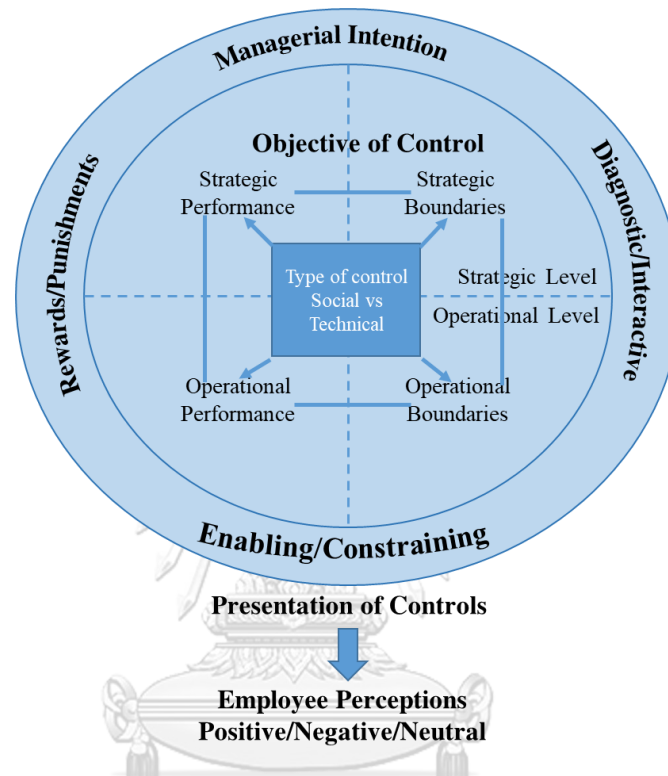
Another issue, which Tessier & Otley (2012) address, is which type of control, between social and technical control, the boundary system should possess and which objective of control, between performance and compliance, the belief system should have. Social control is more involved with beliefs, norms, values or culture (like clan control) than technical control, which comprises rules, procedures, and standards (Tessier & Otley, 2012). For the boundary system, the previous literature reviewed by Tessier & Otley (2012) demonstrates that the boundary system can be both a social and technical control. As a result, Tessier & Otley (2012) consider that the boundary system can be both social and technical whereas the belief system is seen as social control (including a clan control as per Ouchi, 1979).

In terms of the objective of control for belief systems, Tessier & Otley, (2012) suggest that belief systems can be used both for performance and compliance management and can be used at both strategic and operational levels. As a result, the belief system, as a social control, can be incorporated with technical control and can be part of all four control systems (strategic performance, operational performance, strategic compliance and operational compliance) in the revised framework.

In addition, Tessier & Otley, (2012) suggest that one control can be used for both the objective of performance and compliance management at different levels - strategic and operational. For example, for Tessier and Otley (2012), the motto of "being successful ethically", which is a social control, can encourage the employee to do their best for better performance (performance management at the operational level) and in an ethical manner (compliance management at the strategic level). Also, the strategy will be

adjusted when it is not successful. This is regarded as performance management at the strategic level in order to detect uncertainty. In summary, the revised framework of LOC, proposed by Tessier & Otley (2012) is presented in Figure 4.4.

Figure 4.4: A Revised Version of LOC, Proposed by Tessier and Otley 2012



Remark: Figure is adapted from Tessier and Otley (2012, p. 173)

Figure 4.4 is a revised LOC framework proposed by Tessier & Otley (2012). Summarising the discussion above, the revised framework consists of three framework levels from inside to outside, (1) the first level; type of control, (2) the second level; objectives of control and (3) the third level; managerial intentions.

The first framework level - the type of control, demonstrates the social control together with technical control, implying that both types of control interact and can work together. In addition, both controls are related to the four controls in the second level of objectives of control.

The second framework level - objectives of controls, consists of four controls in two levels. The objectives of controls are performance and compliance. The two levels are strategic level and operational level. Collectively in the second level, there are (1) strategic performance control, (2) operational performance control, (3) strategic compliance and (4) operational compliance. In addition, these four controls also work together and are interrelated. Working together could imply that these controls comprise a system.

The third framework level is the managerial intention, which is what managers would like to achieve from using the control, and consists of reward/punishment, the dual roles of control (enabling and constraining) and the use of controls (diagnostic and interactive).

All of these levels are combined to form a control system. The final consideration is how the manager presents the control system to the employee. The presentation will affect the employee's attitude toward the control system whether the control is positive, negative or neutral.

4.4 Management Control in Social Enterprise

With previous discussions in Chapter 3 of SE characteristics as a hybrid organisation and the tensions that emerge between social and economic purposes, much literature investigates how to manage the tensions between SE missions and stakeholders. However, most of them propose a theoretical analysis of the solution.

W. K. Smith et al. (2013) provide suggestions on how to solve performing tensions by clearly defining the measurement of outcome. The suggestion should enable the SE to achieve its goals and satisfy the stakeholders' needs. Bagnoli and Megali (2011) offer a multidimensional performance measurement model, covering the dimensions of (1) economic-financial performance (2) social effectiveness and (3) conformation to institution legitimacy. The literature claims that the proposed model is appropriate to be used in SE. While performance measurement, which is one kind of MC is included, other types of MC are not explored in the literature.

Even though some of the literature provides empirical information on MC in SE, there is still a lack of knowledge on how the MC can be used to manage the dual mission of SE. Vieira et al. (2013) investigate the effect of MC on social capital in Vietnamese SE. Using Simons' (1995) levers of control, the literature found that over-emphasis on informal control (i.e., verbal talk) rather than formal control (i.e., internal control system or tight control) endangers the bonding form of social capital of SE (Vieira et al., 2013). Overuse of informal control in the SE studied by them led to frauds and eventually financial crisis in the SE (Vieira et al., 2013).

With the absence of empirical data on MC use in SE literature, other literature regarding organisations that share SE characteristics can be useful, such as NFP with income-generation or For-Profit (FP) with Corporate Social Responsibility (CSR) program. Chenhall et al. (2010) investigate the use of MC in an Australian welfare NFP which is pressured to acquire financial sustainability. The studied NFP is a NFP with income-generation. Similar to Vieira et al. (2013), Chenhall et al. (2010) use Simons (1995) LOC's framework. However, in contrast to Vieira et al. (2013), Chenhall et al. (2010) found that using formal control in a coercive way impedes the success of bonding form of the studied case. Even though there are contrasting results from Vieira et al. (2013) and Chenhall et al. (2010), the conclusion can be drawn that the use of MC in hybrid organisations with a dual mission should comprise various MC, for instance, acquiring both formal and informal control.

Another example of NFP with income-generation is from Kraus et al. (2017). Kraus et al. (2017) investigate MC in a NFP religious organisation, providing healthcare services to poor people in India. The NFP is pressured to pursue financial sustainability because of funding limitations. The NFP in the literature is comparable to SE in that it has both social and economic purposes. The economic perspective brings several formal controls (i.e., formal performance report writing) to ensure economic performance (Kraus et al., 2017). It is anticipated that economic intrusion will create resistance from NFP employees (Kraus et al., 2017). Therefore, a tension between social and economic purposes is likely to happen as in SE, in terms that over-emphasis on one mission can fail another mission (depending on the purpose of the SE). However, in their case,

resistance does not develop because of the use of informal control, called ideological control (Kraus et al., 2017) to enhance compliance with the formal controls. Kraus et al. (2017, p. 42) state that: “Organisational ideology is defined as an over-arching idea-system that provides the fundamental justification and legitimation for what it would have employees believe is an established order.” Ideological control is exercised through informal conversation every morning in a chapel, emphasising the importance of formal control compliance (Kraus et al., 2017). The literature exhibits an interplay between informal control (i.e., morning talk) and formal control (i.e., performance report writing). The interplay between both controls enhances a successful system to resolve the anticipated tension between different purposes.

Besides the examples from NFP with income-generation, a FP with a CSR program can demonstrate dual purposes. Arjaliès and Mundy (2013) perform a survey study on how to use the MC to manage a Corporate Social Responsibility (CSR) strategy in a for-profit organisation. As noted, a firm with CSR program shares a similarity to SE as the organisation has both purposes of social and economic purpose. The literature found that firms with a CSR program tend to use multi-dimension performance measurement (Arjaliès & Mundy, 2013). The multiple dimensions’ performance measurement helps to provide feedback on CSR program implementation (Arjaliès & Mundy, 2013). The implementation of CSR should provide a competitive advantage, compared to the cost of implementation, in order to keep the continuity of the program (Arjaliès & Mundy, 2013). In addition, an interactive control system, in a CSR implementation firm, should involve more external stakeholders, including communicating with local government agencies and communities to detect the validity of CSR strategic (Arjaliès & Mundy, 2013). These MCs are regarded to streamline activities between the CSR program (social purpose) and the FP economic purpose.

Not only is the MC directly used to resolve tensions, but other approaches are also suggested by the literature. Pratt & Foreman, 2000 propose a multiple identities response approach, consisting of (1) compartmentalisation (2) deletion (3) integration and (4) aggregation. The compartmentalisation approach aims to separate social purpose from a business purpose (Pratt & Foreman, 2000). The deletion suggests

deleting the purpose which is less important (Pratt & Foreman, 2000). The integration approach combines social and economic purposes to a new purpose (Pratt & Foreman, 2000). The last approach is aggregation, which retains both social and economic purposes together and finds the linkage between the purposes.

The deletion approach is unlikely to occur in the SE context because neither one of the purposes can be deleted. Compartmentalisation may resolve tensions between SE purposes. However, this approach cannot permanently eliminate the tension in the long term (Chenhall et al., 2015; Pratt & Foreman, 2000). This is because the compartmentalisation approach requires additional resources and it will be difficult for some SEs to use this approach because of resource scarcity, as it will eventually lead to tensions in resource allocation. The integration approach can also be used to relieve tensions. However, the implementation of the integration approach may face some difficulties in dual mission management. Aggregation is likely to be the most useful approach because both of the purposes remain intact. Much literature applied the Pratt & Foreman's (2000) theoretical framework to manage the tension between dual mission (Chenhall et al., 2015; Cornforth, 2014; Moizer & Tracey, 2010). MC can facilitate an implementation of these approaches.

Ideally, it is desirable to emphasise the dual mission, but it is difficult to obtain due to resource constraints. At best, compromising both objectives may satisfy. Compromise means the success of one purpose is not harmful to another objective (Copestake, 2007). The compromise mainly results in social objectives driving economic objectives and vice versa (Copestake, 2007). Both social and economic purposes are emphasised but not to the same degree. Social drives economic means that social purpose/s are focused on more than economic performance (Copestake, 2007). Social-driven economic SE, such as SE operating a furniture recycling business, receives furniture leftover from donors and rebuilds them for sale (Moizer & Tracey, 2010). The social mission is to improve the environment, and is met by generating economic value to support the social mission (Moizer & Tracey, 2010). Another compromise strategy, namely economic drives social, demonstrates that economic purpose can enhance social purpose (Copestake, 2007). The example of an economic-driven social SE is TOMS Social

Enterprise. TOMS is a shoe manufacturing and retailing business, which sells shoes to customers and at the same time donates shoes to children in needy countries (see <https://www.toms.com/impact>). TOMS uses its business purpose to drive its social purpose. Whichever approach is selected; MC still plays an essential role as a tool to ensure the effective implementation of the strategies.

Not only can approaches and strategies help to relieve the tensions, innovation is expected to relieve the tension as well (Epstein & Yuthas, 2010; Moizer & Tracey, 2010; Siegner, Pinkse, & Panwar, 2018; W. Smith, Besharov, Wessels, & Chertok, 2012; Simon Teasdale, 2012). Teasdale (2012) provides an example of using innovation by adopting a new business approach to reduce the cost of social delivery. The example is to create a pool of information to record available hours of unemployed persons (Teasdale, 2012). The pool of information reduces the cost of hiring people as full-time or part-time staff members to supply to a labour market (Teasdale, 2012). Siegner et al. (2018) provide an alternative perspective of innovation as a role to resolve the tension. The innovation from founder / social entrepreneur is essential to enhance the combination of dual mission and create a new identity or using an integration approach (Siegner et al., 2018). Innovation requires the MC to facilitate its emergence.

4.5 Summary

Collectively from previous sections, the MC is a primary focus in this chapter; the MC definition was constructed appropriately to answer the research question. Such MC is defined broadly to cover the necessary activities of SE. After the MC definition, the MC conceptual framework was later selected, attempting to concur with the defined MC. A revised version of LOC, proposed by (Tessier & Otley, 2012) is utilised to explore how the MC can be used to manage dual mission in SE. The framework is suitable when considering that it is a comprehensive MC framework. Furthermore, the MC which works as a system will lessen dual mission tensions. MC, used in SE are described, although there is a lack of empirical evidence on how the MC can be used to manage the dual mission tension. After the literature about SE and MC is described in Chapters 3 and 4, the next chapter (Chapter 5) will reveal how the research was conducted.

CHAPTER 5 RESEARCH METHODOLOGY

5.1 Introduction

The previous chapter provides the Management Control (MC) conceptual framework for further research. In this chapter, the research methodology will be discussed. The chapter reveals a selected methodology, including research philosophy underlying this dissertation which reflects how the research should be conducted. This dissertation investigates the research question through the author's lens, based on relativism ontology, subjective epistemology in an interpretative methodology in which qualitative research is applied, a case study approach in particular. Some researchers argue against qualitative research that it induces bias from the researcher judgment in data analysis (Lillis, 1999). Therefore, an explicit and systematic research methodology should be explained so that the research audiences can track the process of how the research is conducted, including data analysis. This explanation increases the validity of the research. The following sections start with the underlying research philosophy, then the research method including research design, data collection, data analysis and chapter summary.

5.2 An underlying Research Philosophy

Research philosophy underpins how the research can be conducted in terms of justification for the choice of research methodology (Crotty, 1998; Scott, 2012). The research philosophy includes research ontology and epistemology, which leads to a research methodology. Crotty defined an ontology that "it is concerned with 'what is', with the nature of existence, with the structure of reality as such" (Crotty, 1998, p. 10). In other words, the ontology reflects how researchers view the reality or the world they are studying (Lee & Lings, 2008). Researchers' reality view influences how the research will be conducted. The reality can be seen as an objective or subjective reality. The objective reality claims there is a single reality which can be rationalised or observed independently from human perception, whereas the subjective reality is multiple, depending on human perception from experiences and social construction (Crotty, 1998; Lee & Lings, 2008; Scott, 2012).

The epistemology is “what we can know about reality” (Lee & Lings, 2008, p. 11) which can be related to the ontology of the researcher/s. For example, when a researcher views reality as the objective or single reality, knowledge from a studied context can be generalised to a wider context (Lee & Lings, 2008). Therefore, the researcher could aim to predict a consequence because the reality is assumed to be similar in every context. On the other hand, when a researcher perceives that the reality is subjective or has multiple realities, and that the reality depends on human experiences and social construction, knowledge from one context can be different from other contexts. Consequently, the researcher could aim merely to understand the context (Lee & Lings, 2008). Even though the researcher aims to understand a specific context, wider knowledge can be possible in terms that the context can be transferred to homologous audiences so that they can use their judgement for further generalisation.

Once the ontology and epistemology are underlined, the methodology can be justified. The researchers who believe in a single reality and aim to predict the world tend to apply a quantitative research methodology whereas a multiple reality view researcher aims to understand the reality and tends to use a qualitative research methodology (Lee & Lings, 2008; Scott, 2012).

In this dissertation, the researcher believes that the reality can be multiple and different, depending on the human experience and social context. When the researcher developed a question about the dual mission of SE, she realised that she can merely seek to understand the context. Therefore, the research question was set to investigate “how”, not in a predicted way of “what”, the Management Control (MC) is used to manage tensions between the dual mission of financial sustainability and social goals in social enterprises. The answer to the question can be different as the reality will be constructed by individuals, including managers, in the organisation. The MC will be reciprocally acted (used) and reacted (responded) by social actors (i.e., used by a manager and responded to by staff members); hence, the MC is used in relation to human actions and decisions. Also, D. Otley (2001) suggests that Management Accounting (MA) is context-dependent and can be changed over time. MC is far beyond management accounting because not only does MC include MA but is also involved with many facets

in the organisation. It is partly from the social construct which depends on social actors. The MC will be subject to individual actions and minds. How to use the MC will depend on individual interpretation; therefore, the interpretivism methodology tends to be used. Besides, the question addresses real-world circumstances in real-time, and the researcher has little control over many events that might affect the conduction of the study. Those characteristics are suited to qualitative research and, in particular, a case study approach (Thomas Ahrens & Chapman, 2005; Eisenhardt, 1989; Yin, 2003). The research philosophy, methodology and method are all in line with each other and reflect the researcher's view to answer the research question. The following sections will describe the research method.

5.3 Research Method

5.3.1 Research Design

The research design provides overall planning for conducting the research. Researchers apply different research designs, depending on their research questions. The research question for this dissertation is to explore how the MC can be used to manage tensions between the dual mission of financial sustainability and social goals in which qualitative research, especially case study, is suitable to answer the research question as described in Section 5.2.

A prime consideration for the case study is case study determination. This study will select multiple cases which match to proper criteria to answer the research questions. Multiple cases are selected, seeking similarity or difference between the cases. The detail of inclusion criteria for case selection will be discussed in Section 5.3.2-5.3.4. Section 5.3.5 reveals the selected cases and the justification for their choice. Additionally, the researcher seeks to understand the use of MC through participants' perspectives. Consequently, the relevant participants should be identified so that their perspective describes the process of MC use. Participant selection criteria are also explained in Section 5.3.6.

To obtain the participants' perspectives in the case study, many research techniques are required. One of the techniques, which is widely used, is an in-depth interview. In this

dissertation, the in-depth interview will be mainly used for data collection. Section 5.4 will discuss the in-depth interview in detail, including its process and questions. Furthermore, other data collection approaches will be used to obtain other information, attempting to answer research questions. The other approaches will also be discussed in Section 5.4.

After acquiring participants' perspectives and other information, all of this information will be deeply analysed to seek patterns or relationship. Subsequently, conclusions will be made and lead to answer the research question. Data analysis will be exhibited in Section 5.5.

5.3.2 Case Study Selection:

Unlike quantitative research, where sample selection should represent the underlying population (M. Smith, 2003), qualitative research, the case study approach specifically, chooses the case study purposively to exploit the distinct context of the case (Miles, Huberman, & Saldana, 2014). The nature and scope of the case should be determined; otherwise, the case will be too broad and cannot correctly answer the research question (Baxter & Jack, 2010; Eisenhardt, 1989). The choice of selection between single or multiple cases needs to be decided. The single case study provides insightful detail of the phenomenon (Dyer & Wilkins, 1991) whereas multiple case studies broaden perspectives to answer the research question (Eisenhardt & Graebner, 2007). The multiple case study has some advantage in providing a pattern, which can be derived from within or across case categories (Eisenhardt, 1989).

Deriving from MC literature in Chapter 4, there are differences in MC, used in different organisational forms, such as in For-Profit (FP) and Not-For-Profit (NFP). Therefore, this study anticipates that organisational forms can affect the use of MC. Consequently, a multiple case study approach is conducted for this research. The number of cases can be varied, depending on information saturation (Eisenhardt, 1991). However, four cases were selected preliminarily, which is an attempt to reflect a variety of organisational forms ranging from purely social to purely business. The different organisational forms may highlight different aspects of how the MC is used. The selection of four cases is

sufficient to access similarities or differences in using MC between organisation forms, although the researcher remained open to other data in case data saturation was not achieved.

The dissertation plans to select cases from a continuum between purely social to purely business, namely, from foundation or organisation toward social forms such as community enterprise or cooperative to company form or organisation toward business form such as a social business.

5.3.3 Sample Frame

In recent years, many organisations have been involved in the SE Promotion Plan and SE Act. The promotion agencies included the Thai SE Office (TSEO), Stock Exchange of Thailand (SET) and Office of Social Enterprise Promotion (OSEP), Ministry of Social Development and Human Security in which the OSEP is an agency, established by the SE Act to facilitate/promote SE in Thailand. Therefore, four cases will be selected from four sampling frames of the (1) Thailand SE 50 (SE 50) (2) SE catalog in Thailand and (3) Social Impact creator list⁸ and (4) Announcements from Ministry of Social Development and Human Security. SE 50 and SE catalog are supported by the Thai SE Office (TSEO) and were published in 2010 and 2012, respectively. The social impact creator list is obtained from the Stock Exchange of Thailand (SET). SET established a “social impact platform” on a website as an intermediary between social investors and social impact creators. The primary aim is to match their mutual interests. The platform provides useful information, related to business and SE knowledge and raises awareness of social needs and social impact. The platform allows organisations, which meet specific criteria, to be registered as social impact creators. The fundamental criteria include (1) being registered as a legal entity, (2) focusing on social impact and (3) integrating social innovation into the social mission delivery process. There are 70 organisations in the SE catalog, 50 organisations in the SE 50, 62 organisations in SET social Impact Creators (2017) and 29 organisations, announced in 2018 from the

⁸ <http://www.setsocialimpact.com/Article/Detail/51211>

Ministry of Social Development and Human Security. The number of SEs is presented in Table 5.1

Table 5.1: Number of SE in Thailand

List	Number of SEs
SE 50 (2010)	50
SE Catalog (2012)	70
SET Social Impact List (2017)	62
Ministry of Social Development and Human Security (2018)	29
Total SE from all lists	211
List overlapping	42
Total SE	169

From total 169 SEs, the social beneficiary focal can be categorized into Rural, Urban and Not specific. Table 5.2 exhibits the number of SE in each category.

Table 5.2: The social beneficiary focal of SE

Main Focus	Number	%
Rural	52	30%
Urban	6	4%
Not specific	111	66%
Total	169	100%

From Table 5.2, the primary focal is in the Not specific (66%) category, followed by Rural (30%) and Urban (4%). In addition, types of business in each beneficiary focal category are revealed in Table 5.3.

Table 5.3: Type of business for social enterprises

Type of business	Rural		Urban		Not Specific		Total
	Number	%	Number	%	Number	%	
Agriculture	16	31%			3	3%	19
Tourism	14	27%			5	5%	19
Handicraft/Garment	7	13%	1	17%	3	3%	11
Education	4	8%			16	14%	20
Trading	4	8%			3	3%	7
Micro Finance	3	6%			2	2%	5
Restaurant	2	4%			4	4%	6
Healthcare	1	2%			8	7%	9
Media	1	2%			30	27%	31
Service			4	67%	5	5%	9
Environment			1	17%	14	13%	15
Children					13	12%	13
Others					5	5%	5
Total	52	100%	6	100%	111	100%	169

As shown in Table 5.3, the majority type of business for “Rural” is agriculture whereas the service business is a primary type of business of “Urban”. The “Not Specific” type of business operates mostly in media business. The social beneficiary focal categories and their type of business will be used to reflect how SE could be part of inequality solution in Thailand. The reflection will be further described in Chapter 9.

5.3.4 Selection Criteria

In this dissertation, primary and secondary criteria are developed, attempting to answer the research question, including reflecting the Thailand context. The primary criteria are to match the SE definition, developed in Chapter 3 of this dissertation. In addition to matching the definition of a SE, the age of the organisation will be considered to ensure organisational survival and growth which the research participants can reflect on. The literature indicates that most new firms will cease operation within four years of their creation or will demonstrate growth from the sixth year (Mata, 1994; Phillips & Kirchoff, 1989). As a result, the organisational age criterion for case selection will be SEs with five or more years of operation. A well-established SE reflects the successfulness of sustaining its dual mission.

Collectively for the primary criteria, the selected social enterprise will be SEs, which

- (1) Use business principles for social enterprise operations such as generating most revenue from trading, manufacturing or services, incorporating business risk, production/service delivery process efficiency and effectiveness, or marketing plan into the SE operations.
- (2) Are self-determining to allocate resources - both monetary (i.e., profit from the operation) and non-monetary (i.e., knowledge) resources - mostly for the social benefit or to reinvest in the SE operation to increase social impacts.
- (3) Focus on increasing social impacts, such as, increasing agrarian, community or disability income, or reducing pollution.
- (4) Have at least five years of operation.

In addition to the primary criteria discussed above, secondary criteria should be considered to select SE cases. The secondary criteria are to demonstrate the Thailand context. As discussed in Chapter 2, Thailand faces wealth and education inequalities.

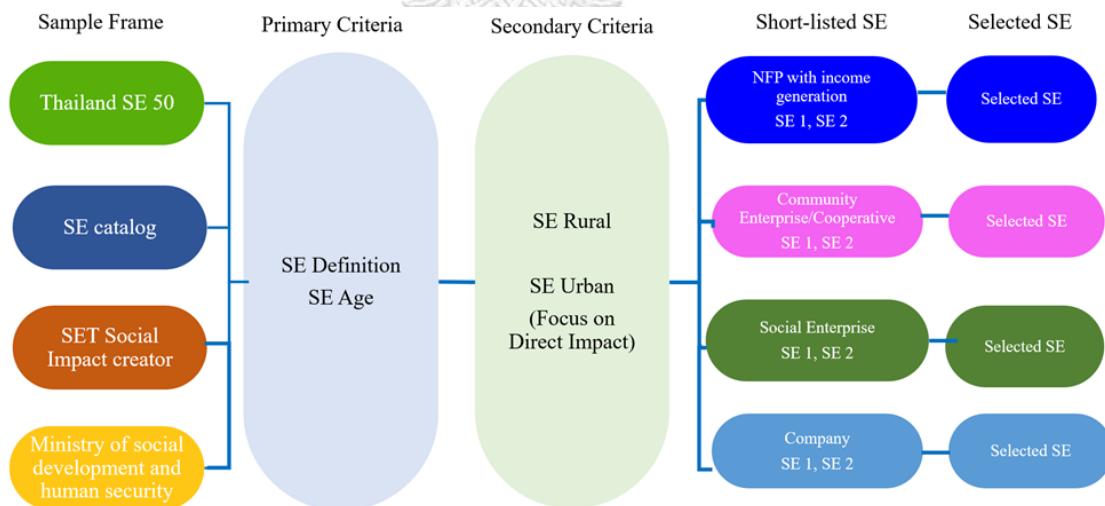
These inequalities in an initial era of history come from the differences in social class between the King and commoners. This difference is difficult to resolve because it is an inherent difference. During Thai history development, new social classes emerge, resulting from the change of governance, economic and social systems. Thailand begins to have differences between the commoners in the “Post Revolution” era in which the commoner is divided into urban and rural commoners. The urban and rural commoner results from the economic policy shifting from agriculture to an industry economy. This inequality persists over time and finally leads to social problems. Not only does the inequality occur in the geographical area in which they live (urban or rural), but the inequality also occurs within the same living area, i.e., the urban area. This inequality comes from the difference in social class between poor and rich people in the urban area.

SEs anticipate relieving this inequality by increasing wealth and education. To reflect the Thailand context, the additional selection criteria for the study should secondly focus on the SE in a rural area, especially, SE, which helps to increase wealth and education for agrarian, fisherman, or other labour forces in the agriculture sector. For

SE urban, the study could focus on SE, which produce direct social impact. By the term of direct social impact, the study defines direct social impact as direct involvement of poor and disabled people, living in urban areas. These SE urban expect to close the gap between poor and rich people in the urban area and eventually reduce the social class inequality. However, most of Thai urban SE or SE-like organisations do not have direct social impact, defined in this dissertation. Therefore, none of them are selected as case studies.

After the SE meets all defined criteria, short-listed SEs are chosen. The short-listed SEs will be further categorised by organisation forms, consisting of (1) Not-For-Profit (2) Community Enterprise (3) Social Enterprise and (4) Company. Ideally, the four cases will be finally selected from the short-listed SE, attempting to cover all form of organisation. Collectively, Figure 5.1, presented below, exhibits the summary of the case study selection process.

Figure 5.1: The Summary of the Case Study Selection Process



Remark: The Social Enterprise Act was in the process when the cases were selected. Therefore, the selected SE form was not available.

5.3.5 Case Selection Justification

In Section 5.3.4, selection criteria have been explained, consisting of primary and secondary criteria. In this section, all the four selected cases will be revealed, including justification on how the cases match the criteria. All of four selected cases matched the definition and organisation age requirement. First, for the definition, the cases use business principles to compete in a regular market. These SEs' goods/services are common and must compete with many competitors. Hence the SEs must take business risks (i.e., economic risk or competitive market risk) into consideration. To compete in the market, selected SEs' goods and service must meet quality grades to fulfil customer's needs; therefore, production/service delivery processes must be efficient and effective, and marketing plans have to be included into the selected SE operations. Table 5.4 provides the detail of the cases' goods/services.

Secondly, each SE case is autonomous and can make its own decision to allocate both monetary and non-monetary resources. The organisation forms of these cases are helpful to justify the autonomous criteria. The cases' legal forms consist of a foundation, a cooperative and two companies (see Table 5.4). All of these forms have their governance system defined by law and regulations, and are not under influences of external parties (i.e., funder or government agencies). Even though one of them is in foundation form, it is a self-income generating foundation. Therefore, this SE is not under the control of external parties and can freely decide what to do with its resources.

Lastly, most of the cases' values, including profit from SE's operation, are distributed to social beneficiaries or reinvested in operations. For the foundation case, it is clear by foundation law and regulation that the benefit generated from the foundation must be used as indicated by the foundation's objective⁹, which is for social needs in the foundation case¹⁰. Likewise, for the cooperative case, there are specific rules for the profit allocation in which most of the profit has to be allocated to re-invest in the cooperative¹¹. In addition, the cooperative case's members are agrarian, and are the

⁹ No.110: Foundation code of conduct of Thailand Civil and Commercial Code.

¹⁰ No.4 : foundation objectives of the foundation rules and regulation, 2015.

¹¹ No.60: Annual profit allocation of Thailand Cooperative Act 2009, revision in 2010.

social beneficiaries of the cooperative. The re-investment into the cooperative is also beneficial to the social beneficiaries. For the two company cases, the financial statement in the past five years has been examined to ensure that no dividend was paid to shareholders in excess of the rate indicated in the Thailand Social Enterprise Act 2019¹². For the years of operation, registered documents with government agencies (i.e., Ministry of Commerce) and public information (Annual report) have been explored to ensure the age of the selected case in which they have at least five years of operation.

The secondary case selection criteria aim to reflect the Thailand context about ingrained inequality problems in which the rural people are the most disadvantaged in Thai society. SEs are expected to be part of the inequality solution. Hence, the secondary criteria focused on SEs involved with rural people, primarily, agrarian or other labour forces in the rural area. The SE was anticipated to increase their wealth and education opportunity of the rural people. For this reason, the social beneficiaries of the selected case are likely to be rural people.

Cases which match the selection criteria were short-listed. The final selected cases were chosen to demonstrate different types of organisation form. Therefore, there are many types of organisation form for the case, namely, foundation, cooperative and company form. Table 5.4 provides information about the selected case goods/services, organisation age, social beneficiaries and organisation form. The name of the organisations are disguised to preserve anonymity of the organisations.

¹² No 5: Social enterprise objective (3) dividend rate allowance (no more than 30% of annual profit) of Thailand social enterprise Act 2019.

Table 5.4: Case Characteristics

Organisation Form	Foundation	Cooperative	Company	
Name	Happy Tribe	Green Trade	Golden Land	B-Read
Social Beneficiary	Hill Tribe Community	Rural Agrarian	Rural Agrarian	Rural people
Social Objective	Improve hill tribe quality of life	Increase agrarian income	Increase agrarian income	Increase educational opportunity
Business Objective	Food/Handicraft/Horticulture/Tourism	Trading/Exporting Organic farming	Fruit/vegetable processing	Trading
Organisation Age (As at 2018)	31 years	18 years	25 years	11 years

Regarding the SE organisational form, it is worth being further explored. When the SE definition was developed in this dissertation (see Chapter 3), the definition derived from the literature used a continuum concept to define SE, rather than a dichotomous concept to decide which organisation is SE or not. One of the extreme points of the continuum line is social purpose, and another one is business purpose. SE, then, was defined as a hybrid organisation which is located in between two extreme points of the line. The organisation form has a relationship with the location because the original purpose of the form can determine the location on the line. For example, the foundation form tends to focus more on social purpose and the company form tends to focus more on business purposes. Consequently, the selected cases can be plotted into the continuum line, based on their form. Figure 5.2 shows the location of the cases.

Figure 5.2: Selected Case Location



Even though the focus of the purpose is either more on social or business, the selected cases still have a dual mission and emphasise their social beneficiaries. When information about the case context is presented in Chapter 6, the location can be confirmed, based on its operation. An effect of the location on the dual mission can be then examined after the case context section is provided.

5.3.6 Participant Selection

Similar to case selection, participants will be selected to answer research questions, not to represent the population (Miles et al., 2014). The MC is the manager's tool, used by the manager and is responded to by staff members in the organisation. Hence, the participants will be selected from different levels of organisation from management to operational levels. The management level includes founders, chief executive officers or chief financial officers. Drawing on the experience of participants from different levels is expected to provide multiple perspectives on how to use the MC. Moreover, to answer how the MC is used in SE, the study will select SE stakeholders, such as SE partners and collaborators, as study participants. Collectively, the inclusion criteria for study participants will be as follows.

Participant Inclusion criteria

- (1) Management level: Manager or staff at management level with at least three years of experience in selected SE: founder, chief executive officer or chief financial officer.
- (2) Operational level: Staff with at least one year of experience in selected SE
- (3) Stakeholders, such as clients, business partners or social beneficiaries, who have been involved with the selected SE for at least one year.

The concept of data saturation is applied, and the number of participants is presented in Table 5.5 when no new information is being obtained. Length of each interview is 1 to 1.30 hours and all interviews are recorded by tape recorder.

Table 5.5: Number of Participants

Organisation Form	Foundation	Cooperative	Company	
			Golden Land	B-Read
Name	Happy Tribe	Green Trade	Golden Land	B-Read
Total 47 interviewees	15	3	21	8
Management Level	5	2	7	3
Operational Level	7	1	10	2
Stakeholder	3	0	4	3

5.4 Data Collections

Techniques, or how to collect the research data, can be varied. Multiple data collection methods enhance the validity of the research (Eisenhardt, 1989) and help to capture unanticipated facets. Many data collection methods may emerge during the data collection process. In this study, in-depth interviews will mainly be used, along with other activities, such as reviewing archival data (i.e., published information), observation and meeting attendance.

The in-depth interview allows the researcher to have direct contact with participants to obtain intensive detail. This method is suitable for the situation of complex and wide-ranging issues (M. Smith, 2003) such as the MC use in this study.

Semi-structured questions are created with sufficient flexibility to adjust these questions during the interview. The flexibility of the questions allows the researcher to detect emerged aspects during the interview (Anthony J. Berry & Otley, 2004). The semi-structured questions are summarised in Table 5.6. Some structure in the interview questions ensures the covering of related issues to research questions (Lillis, 1999) and ensure the consistency for each interview (Boyce and Neale, 2006). The consistency of the question can help to validate the answers of the same questions whether the question produces similarities or differences for further analysis.

The questions are open-ended and non-directive to minimise bias (Lillis, 1999). Technical terms are avoided during the interview. In case it is inevitable that technical

terms must be used, the understanding of these terms have to be agreed by both the researcher and interviewee. For example, the MC, which is regarded as a technical term, is simply explained as any tools/action or processes to ensure the achievement of the goals. The explanation concurs with the MC definition in this research. The simple explanation enhances participants' understanding of MC definition.

Horton, Macve, and Struyven (2004) suggest that the semi-structured questions should be initially sent to targeted participants to enhance the creditability of the questions. This study validates the questions with pilot SE cases. The pilot cases are SE, that match to the SE definition, but the age is lower than five years. In addition, during the interview conduction, the semi-structured questions were reviewed as to whether they needed to include additional questions. The previous interview can reflect new emerged questions (Thomas Ahrens, 2004) and the semi-structured questions were updated to include such questions for the next interview. The semi-structured questions start with (1) the introduction of the study (2) the verification of SE case criteria and (3) the use of MC for tension resolving and. SE staff members answer the first two-parts, whereas SE stakeholders answer the last part.

Table 5.6: Semi-Structured Questions

Purpose	Questions
Introduction	1. Research objective/information sheet/informed consent/how to ensure confidentiality and participant's protection. 2. What are the organisation's background and your involvement in the organisation?
Ensure SE definition	3. How is the organisation operated? (Value creation)
	4. Who decides on how to use the resources? (Value Allocation)
	5. How are the resources used? (Value allocation)
	Value Distribution (For SE) 6. What are the goals of the organisation? Probe questions for SE a. Why do you involve community/social/beneficiaries? b. Who are your community/social/beneficiaries? c. How do you involve with community/social/beneficiaries? d. What difference will the involvement make to the community/social/beneficiaries? Value Distribution (For community/social/beneficiaries) 7. What are contributions the SE makes, to your community? 8. How do you feel to have the SE in your community?
MC	9. How does the organisation achieve its goals? (MC activities)
	10. How does the organisation know whether the goals are achieved? (The use of MC process)

Having a guideline helps the researcher to focus and avoid information overload. It also helps the cross-case analysis in the multiple case studies (Miles et al., 2014).

The in-depth interviews were conducted solely by the researcher at participants' convenient date, time and place. The research started with the interviewer introducing herself to be familiar with the interviewee. The researcher encourages the participants' willingness to provide the information by explicitly acting herself as an information seeker not a case expert. Simple language is used, especially to the social beneficiaries. The researcher also encourages the participants to demonstrate examples of the events during the interview. The participants' answers are occasionally rephrased during the

interview to ensure the correctness of the researcher's understanding. These techniques, used during the interview, help to obtain extensive information from the participants (Marginson, 2004). Probe questions to access additional detail are also performed. Cross-reference of the data from the interview was also performed by checking with other departments which work with the interviewees or from social beneficiaries.

The participants are protected regarding identity confidentiality and subject protection rights by rules of the Ethics Review Committee, Chulalongkorn University. This protection helps to reduce bias since participants can fully reveal the truth without any harm. The researcher commits to obtaining documented informed consent from each interviewee before their participation in this study. The researcher provided the prospective interviewee with a summary of the research study, approved by the Ethics Committee, detailing both the rationale and scope of the research study, as well as nature, extent and predicted duration of the interviewee's participation. The researcher also made clear to the interviewee that data obtained from the interview will be aggregated and/or anonymised and their identity will remain confidential; no identifying characteristics will be included in published findings arising from this research study. In addition, the researcher informed the interviewee at the beginning of the interview session that the interviewee has a right not to answer a question at any time. Clearly explanation of the research information enhances the trust from prospective participants.

A tape recorder is only used for the interview with participants' permission. If the permission is not granted, note-taking is undertaken. The tape recording ensures the completeness of the interviewed information (Hayes & Mattimoe, 2004). The voice files from the tape recorder are verbatim transformed into written documents. The researcher transcribed immediately after the interview. After the interview sessions, the researcher wrote a note of reflection about the interviews. All verbal, gestures and expression were described and were used for data analysing (Thomas Ahrens, 2004). All interview material is kept confidential including the identity of the participants. The emphasis on data confidentiality increases the possibility of tape-recording permission (Hayes & Mattimoe, 2004).

The in-depth interviews were conducted in Thai, which is the local language for both the researcher and participants. Interviewing in local language allows participants to fully express their related experiences (van Nes, Abma, Jonsson, & Deeg, 2010). The interview content, including analysis, discussion and interpretation, was translated into English firstly by the researcher to ensure the completeness of the meaning. The second translation may be done by the English editor for publication purposes. However, the researcher will work closely with the editor to ensure that the meaning of the translation is intact.

Another technique, which is used, is reviewing archival data, including published information. Access to archival data in this research study complies with recognised standards of research practice and with all relevant national legislation. To increase the validity of the study, reviewing public information is useful for ensuring that the selected cases meet the SE definition, especially of value creation and distribution definition. Financial statements, for example, provides information whether most of SE revenue is generated from trading, manufacturing or services instead of donations. Business plans (if any) provide the evidence that the SE uses business principles for its operations. Published visions, mission statements including organisational objectives provide information on value distribution and whether the SE focuses on increasing social impacts such as increasing agrarian, community or disability income or reducing pollution. This published information enhances researcher preparation before engaging in an in-depth interview. Pre-review of archival data can be validated by an in-depth interview and help the researcher to prepare the prove questions.

Observations are also performed as one of the research methods. The observations grant the researcher's understanding of the general case context and could lead to some specific issue related to research questions (Miles et al., 2014). The researcher visited the social beneficiaries at their location to observe their activities.

Field notes are taken during all data collection. The researcher uses the field notes later and extended them into a write-up to explain collected data in detail. The write-up is essential because it is a source document for further data execution (Miles et al., 2014).

The researcher, herself, is an important research instrument for the case study approach as an interpretation tool of the results (Anthony J. Berry & Otley, 2004; M. Smith, 2003). The broader knowledge of the researcher helps to create analysis comprehension (Anthony J. Berry & Otley, 2004). Therefore, the researcher, who conducts the study, should obtain both theoretical and practical knowledge. Before conducting the research, much literature, regarding SE, the use of MC, is reviewed by the researcher. The literature appraisal not only provides the research idea in the dissertation's development but also provides a broad perspective of theoretical knowledge in SE and MC. In addition, the researcher should have related experience with the setting and be capable of information gathering and analysing (Miles et al., 2014). In this study, the researcher gains many years of experience in both the for-profit organisation and a Not-For-Profit organisation, in particular. She also attends qualitative research method training courses. She ran pilot cases on SE-like cases before engaging in the in-depth interviews. The result of the pilot helps to refine the data collection plan, including semi-structured questions. After the data is collected, the analysis of the data is performed as explained in the next section.

5.5 Data Analysis

Data analysis is the next step after data collection. This step is vital in the case study approach because it generates the results of the research. Of the arguments against qualitative research, most are on the validity of data analysis (Lillis, 1999). A trail for data analysis enhances the validity of the research (Lillis, 1999). The data analysis trail includes a record of how to classify, summarise and interpret the data (Lillis, 1999; Miles et al., 2014).

Computer software can help produce the trail, as well as storing interview information systematically. The use of computer software ensures the completeness of the analysis as none of the related information is purposively ignored (M. Smith, 2003). Besides, computer software helps to organise raw data and provide evidence of source code (M. Smith, 2003). This study uses NVIVO software for data management, including data storage, and analysis. The researcher of the study attended the NVIVO implementation training to ensure effective use of the software.

Regarding data analysis, this study followed Miles et al.'s (2014) suggestions that the data should be analysed continuously. Continuously analysing the data reduces task overload and enhances emergent proposition capture (if any) during the research progress (Miles et al., 2014). The continuous analysis is essential in this study; notably, this study employs the multiple cases approach for data collection. The study's researcher performed data analysing while collecting the data. Before reaching a cross-case data collection, within-case analysis is suggested (Eisenhardt, 1989).

Within-case analysis can provide a specific pattern from each case and guide the pattern for a later case (Eisenhardt, 1989). As a result, in this study, each case is analysed immediately after transcription so that previous information can guide the researcher before interviewing the next cases. The pattern from the within-case analysis can be later confirmed or disconfirmed by the next cases. The confirmation of the pattern enhances the validity of the study, whereas disconfirmation enhances theory extension (Eisenhardt, 1989).

Regarding the analysis procedure, Miles et al. (2014) also suggest three steps of data classification, formalisation, and conclusion which was applied in this study. Data are classified by the meaning of the data and grouping when they have the same meaning. The classification is to find patterns or relationships within and across the cases. The pattern or relationship leads to a data conclusion. Data classification can be repeatedly produced to reflect the true meaning of the data (Miles et al., 2014). In this dissertation, data coding is performed in NVIVO. The researcher started the coding process by reading through the transcriptions from the interview. The first coding was to classify the data into the pre-code description, in this case, using the MC framework as pre-code descriptions. The following code was to analyse the true meaning of the transcription and allowed any emerging codes. Repetition of coding was performed until the theme emerged.

Writing is critical to describe formal and informal observations. The observation is explained by writing in detail as much as possible to capture all incidents which may be later crucial for data analysing. When the data analysis is complete, the results can

be drawn. The conclusion is carefully drawn by all collected information, from triangulation data and participants' own words. The researcher wrote the descriptions while performing analysis. Writing helps the researcher to organise the data and be better in analysis for the next coding. The result is provided with conversation quotes from the interviewee.

Regarding the validity of the research, this study provides (1) research reliability by implementing well-structured research design and (2) internal validity by concluding from triangulation data and participants' own words. The external validity of qualitative research is different from quantitative research. The main difference is that qualitative research generalises its result by comparing the result with existing theory whether the result can extend or develop the theory (Parker & Northcott, 2016). The theory extension or new theory development serves as a theoretical generalisation (Parker & Northcott, 2016). Another generalisation in qualitative research, called practical generalisation is also different from quantitative research. The practical generalisation of qualitative research aims at the context transferability to targeted readers (Parker & Northcott, 2016; Scapens, 2004). The transferability helps the readers to compare the researched cases with their experience and use their judgment to generalise the result (Parker & Northcott, 2016). As a result, the context of the case study is essential to create practical generalisation (Parker & Northcott, 2016; Scapens, 2004). The comparison of the result with the existing theory and intensive detail of case context will be presented in the research result section to enhance the generalisation.

5.6 Summary

In this chapter, the research methodology was exhibited. The dissertation is anchored in a relativism ontology and subjectivist epistemology. Therefore, the interpretative methodology is suitable in which qualitative research, case studies (multiple cases) in particular, are performed. Four cases are selected from the existing SE lists in Thailand as of 2018. All of these cases match to the case selection criteria, consisting of the matching of SE definition, having at least five years of operation and being involved with rural people as social beneficiaries to reflect the Thailand context. In addition, four cases are different in their organisational form, assuming that the different form should

provide different results of the use of MC. The four cases are Happy Tribe, Green Trade, Golden Land and B-Read. The case context and the use of MC will be described next in Chapters 6.



CHAPTER 6 CASE CONTEXT

6.1 Introduction

The previous chapter provides the research methodology, detailing the case selection criteria, and justifies the selected cases. In this chapter, the cases' contexts will be revealed, exploring the social and business objectives, including cases' operation, legal organisation form and dual mission perspective. There are four selected cases: (1) Happy Tribe (HT) (2) Green Trade (GT) (3) Golden Land (GL) and (4) B-Read. The chapter starts with the context of HT, following by GT, GL and B-Read.

6.2 Happy Tribe

Happy Tribe (HT) was originally a social enterprise project, managed by the Bright Sky Foundation under Royal Patronage. Bright Sky Foundation was founded by a Thai royal family member in 1972. The founder visited a district in a Northern province of Thailand and discovered that The hill tribe villagers were poor, uneducated and stateless. They earned their living by shifting and illegal cultivation (i.e., opium); thus, the forest was destroyed from such cultivation. Besides, the HT area was influenced by the Khun Sa armed force, a Burmese drug dealer, which made it more difficult for the Thai government to access the area. There were many social problems including, poverty, hill tribe villagers' poor quality of life (i.e., no healthcare services), and drug addiction/trafficking. By 1988, the HT social enterprise was established. The operating area of HT covers approximately 93,515 Rai or 15,000 hectares, and is occupied by 11,000 villagers from 29 villages (six hill tribe groups).¹³ HT was founded firstly to resolve these social problems, followed by a business objective to sustain the social activities. The social and business objectives of HT are now described.

6.2.1 Social Objective

HT social objective is to improve hill tribe villagers' holistic quality of life by strengthening their self-sustainability. To be successful in its objectives, HT operated many broad social activities, starting in its early years of establishment with buiding

¹³ Retrieved from the foundation website, on Apr 1, 2019

infrastructure and providing necessary skill training to hill tribe villagers. Formerly, Bright Sky Foundation financially supported these activities until HT became self-supportive through its business activities. HT business activities are mostly labour intensive, employing hill tribe villagers or purchasing their agricultural products to increase their income. Even though HT was able to utilise Bright Sky Foundation's support, it perceived that self-support was essential. Thus, the business objective was introduced to provide sustainability.

6.2.2 Business Objective

HT uses its business operation to generate income through manufacturing and selling food products, handicraft, horticulture and tourism. The food business comprises agricultural food processing (i.e., macadamia nut, butter, and honey) and coffee drink. Handicraft is, for instance, ceramic and handwoven fabric. Horticulture and tourism include a temperate garden and hotel services. These business incomes enable HT to be self-financing since 2000.¹⁴ Currently, the business operation has been on-going for more than 30 years,

6.2.3 HT's Operation

HT divided its operation chronologically into three phases.¹⁵ The first phase covered the year of 1988-1993, focusing on social development of the hill tribes under Bright Sky Foundation's financial support. The second phase covered the years 1994-2002, focusing on income generation to HT and hill tribe villagers. The latest phase (2003-present) aims to elaborate its social and business operation and increase self-sustainability of hill tribe communities in the area.

6.2.3.1 The Years of 1988-1993

In the first phase, most activities involved community connection activities. They were also encouraged to abandon shifting and illegal cultivations and earn their income from hiring to grow th forest. Many difficulties encountered throughout this very first phase.

¹⁴ Retrieved from the foundation website, on Apr 1, 2019

¹⁵ Retrieved from the foundation website, on Apr 1, 2019

The major barriers were the mountain geography disrupts the travelling to amenities, e.g. hospital and within the HT area, the language barrier (each hill tribe group has a unique language), and distrust towards HT staff. The distrust comes from a remote disconnection between the hill tribes community and outsiders, including government agencies. The villagers are stateless. They are not Thai nationals and not secured by any protections. They could get caught by Thai police if they do not obtain authorised permission papers. They are also vulnerable to the threat of Khun Sa armed force. Therefore, they developed a distrust to any strangers which could extend to the HT staff.

To lessen the hassle of traveling, HT organised primary healthcare services within hill tribes community and built roads for commutes. An overall hygiene was managed to prevent illnesses. The villages were arranged by area zoning to assign the house number. Cleanliness was improved. HT's staff reflected the activities that:

“When I was young, animal droppings were all over. After the area zoning and restricting of confining animals within certain areas, the street was cleaner than ever” (Hill tribe villager 1).

“A painkiller pill may cost a few Baht (2 THB = 0.063 USD) to HT, but it means a lot to the villagers. When HT provided healthcare services, the news was spread out, and that win the villagers' hearts” (Manager 1).

The language barrier was dissolved by seeking a representative of each hill tribe, to be a coordinator between the HT and the hill tribe villagers. Trainings on agriculture and handicraft skills were later introduced. The improvement of infrastructure (i.e., primary healthcase and roads) and the effort to communicate HT's intentions gradually lessened I distrust over time.

After forest restoration, part of the area was designated as a forest reservation area. The shifting and opium cultivation decreased. However, an unintended consequence occurred as the villagers could no longer earn money from the forest. Consequently, in 1989, HT established a separate entity, called Nop Co., Ltd. for commercial plant

cultivation. The objective of the company is to employ villagers to grow macadamia and coffee beans commercially and allocate all profits (if any) to support HT's social and community development. Weather conditions in HT area are suitable for growing macadamia nuts and coffee trees under other trees, maintaining forest preservation. Villagers were also encouraged to grow ornamental flower plants which led to a botanical garden establishment.

The villagers were trained in specific agriculture skills to grow the plants effectively. While male villagers laboured in commercial plant cultivation, the female villagers were trained in handicraft skills to weave and produce mulberry paper. In 1990, the sewing and weaving centre was founded and later known as the Cottage Industry Centre and Outlet.¹⁶ As a result, in this phase, HT focused more on social aspects including infrastructure building, the readiness of human resources and base of production (macadamia, coffee and handicraft). The next phase focused on income generation from social development projects.

6.2.3.2 The Years of 1994-2002

In the second phase, HT aimed to generate income from HT plantation growing macadamia and coffee beans. Many factories, processing food and ceramic production were established to sell the agriculture and handicraft products. Business principles were used for its operation. The goals focused both on social and economic objectives and the social enterprise concept emerged. The HT brand was created, comprising four business units-food, handicrafts, horticulture and tourism (including hotel). HT is one of the market leaders in macadamia products with an approximate 60% of market share and by 2000, HT became self-financed. The income generated from four businesses provides 50-60% of total annual income.¹⁷ Even though it achieved success in business, difficulties arose during this phase, especially if HT want to retain its social objective.

¹⁶ Page 10, Annual report 2017

¹⁷ Financial Statement in 2017 Annual report

6.2.3.3 The Years of 2003-Present

After many years of experience in social development and business operation, the latest phase (2003-present), HT focuses on elaborating both business and social objectives. The elaborations include: (1) HT model replication/consultancy services, (2) knowledge dissemination, (3) new product launches and (4) new product distribution throughout the partnership with others. Further, HT is also involved with the macro-level of the SE national promotion plan, which resulted in the SE Act 2019.

The first model replication was launched in 2002, firstly in Myanmar in 2002, followed by Afganistan and Indonesia in 2006, and the latest replications were in Myanmar in 2011 and 2012. These countries require similar social attentions such as on drug problems and poor life quality of the people. All of the model replications were long-term projects, taking up to two to seven years. The model replications were operated as part of consultancy services to these foreign governments. As a result, HT was able to expand its social impact together with income-generation from consultancy fees. In addition to providing consultancy services to foreign governments, HT also provided such services to international organisations such as the Office of the United Nations High Commissioner for Refugees (UNHCR). The consultancy fee generated approximately 30% of total HT's income.¹⁸ Domestic model replication also arose in other areas of Thailand. However, the domestic model replication serves more towards on social expansion as part of a government contract which is not lucrative.

Another form of elaboration is knowledge dissemination. HT uses a concept of living university which opened for visitors from organisations, including government agencies, Thai/foreign universities and private companies. The visitors can learn about the local ways of living and HT's social development model and specialities, aiming to replicate/extend HT knowledge in other areas.

In terms of business elaboration, HT extended its product line in food (i.e., macadamia cookies and butter) and handicraft businesses (i.e., new collection of ready-to-wear

¹⁸ Financial Statement in 2017 Annual report

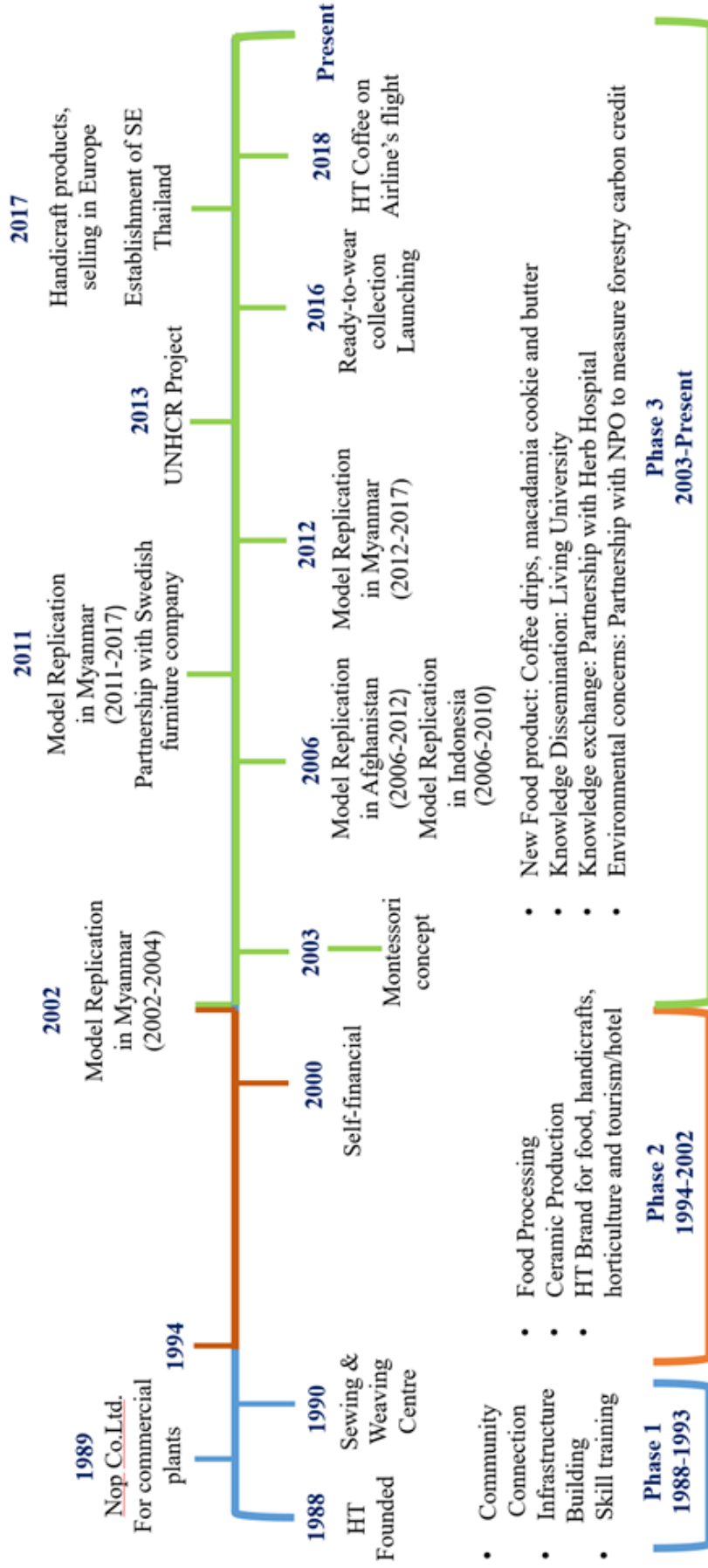
clothes). HT also made several partnerships with for-profit companies to expand the product distribution channel. A partnership with a Swedish furniture company was made six years ago to produce fabric raw material. Presently in 2017, the handicraft products are exported to the furniture company for selling in Europe. The latest partnership, with for-profit companies, was made in 2018 with a Japanese airline to serve HT coffee on the airline's flights. In addition, HT also made partnerships with a geo-informatics and space technology development agency to measure carbon credits produced from HT's forestry development project. The carbon credits are to be sold to Corporate Social Responsibility (CSR) program of private companies. Another partnership is with a herb hospital to exchange Thai herb knowledge.

Besides, the elaboration of HT operation, HT intensively participated in Social Enterprise policymaking. The CEO and senior staff of HT joined recurring events around the SE Act public hearings and provided comments. HT combined its efforts with other leading SEs to establish SE Thailand in 2017. SE Thailand has 60 SE members with the purpose to enhance SE capability and strengthen the SE ecosystem.

In this phase (2003-present), a separate social project, called Montessori education,¹⁹ was introduced to many schools in HT's area. Even though the concept introduced is not an income-generating project, it is anticipated to be a necessary preparation for human resource development in the future. In summary HT operations consisted three phases. Figure 6.1 demonstrates a chronological event summary.

¹⁹ Montessori education is a child-centered education program.

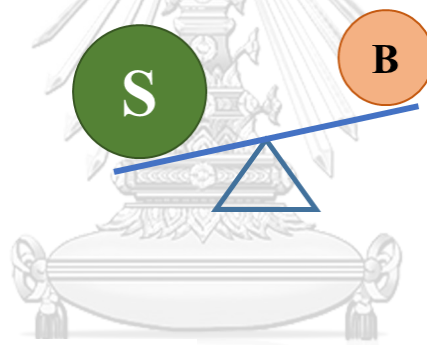
Figure 6.1: Happy Tribe: A Chronological Event Summary



6.2.4 HT Dual Mission Perspective

From the HT context, described above, it shows that HT started its operations, focusing on resolving social problems as part of the foundation's objectives. Nevertheless, self-sustainability is essential and HT utilised a business objective to generate income in order to continue its social activities. For this reason, even though HT has a dual mission of social and business objectives, the weight is more focused on social objectives, followed by the business objective. One of the reasons is the organisation form (foundation form), forcing HT by law to focus more on the social objective. As such, HT's dual mission is not likely to balance equally between social and business but rather social more than business. Figure 6.2 demonstrates the dual mission scales. The dual mission scales of HT and other cases will be discussed in Chapter 8.

Figure 6.2: HT Dual Mission Scales



6.3 Green Trade Social Enterprise

Green-Trade (GT) is a social enterprise, registered as a cooperative in 1994. The cooperative provides marketing and selling services for its members, consisting of organic farming agrarians. The services were initiated by the GT founder, who has an extensive background of working in agricultural Non-Government Organizations (NGOs). The founder realised not only that organic farming knowledge dissemination is essential but also that product marketing and selling services must be provided to help to increase the agrarians' incomes.

6.3.1 Social Objective

GT's primary social objective is to encourage organic agriculture farming by providing marketing/selling services and knowledge to agrarians. GT applied fair trade principles for its operation, using the definition from the World Fair Trade Organization (WFTO).

Therefore, GT states: “Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the developing countries”.²⁰ The fair trade principle is applied to GT’s members and customers. The GT services include creating both domestic and international markets for organic agriculture products as now described.

6.3.2 Business Objective

GT’s business operates as an organic agriculture products trader, selling most of its products to the international market. The approximate proportion of export and domestic sales is 70% and 30%, respectively. The primary export customers are in the fair trade network, mostly in Europe. Domestic customers include retailing stores (i.e., department stores or organic shops). The main products for the export market are rice and coconut milk whereas the domestic products are varied, including rice, vegetables, beans, dry fruits, herbal teas, eco-textiles, honey, soy sauce, and virgin coconut oil. Being a cooperative and using fair trade principles, GT accepts all qualified products from its members at fair trade prices and sells to its customers at the relevant market price. Therefore, GT bears all business risks which derive from the fluctuation of the demand for and prices of the agriculture products, to ensure members’ incomes. GT has operated its business for more than 25 years.

6.3.3 GT’s Operation

GT’s operation has been managed by GT’s founder and cooperative manager. Its head office is located in Bangkok whereas a packaging factory is located in the northeastern region of Thailand. Like HT, its growth can also be described in three different phases.

6.3.3.1 The Years of 1994-2000

When GT first started its cooperative in 1994, it focused on rice and registered on the Department of Foreign trade’s rice exporter list in 1995. In the same year, GT became

²⁰ Retrieved from the cooperative website on Dec 13, 2019

a member of the International Federation of Organic Agriculture Movements (IFOAM) which expedites global organic trade. IFOAM's organic certification is widely accepted and GT received certification from the IFOAM Accreditation Programme for its main products (i.e., rice and coconut). In addition to marketing and selling services, GT provided trainings of organic farming knowledge to the agrarians who are willing to convert their farms to organic farming, as well as informing the general public about organic agriculture. Income generation is a by-product from the dissemination, when it improves product quality or finds potential new markets/organic farming areas. However, some dissemination activities consume resources, including monetary and human resources without income generation. Yet the activities must remain because they are part of the social purpose. At the early stages of the cooperative, non-income generating activities were burdensome because the income from product selling was insufficient to cover those activities. Consequently, external funding was needed to support dissemination activities and a foundation, called the Planet Foundation, was initiated for this reason.

The Planet Foundation was formed in 2001 as a sister to GT, aiming to disseminate and develop organic farming knowledge. Previously when the organic farming training activities were combined within the cooperative, some donors were reluctant to donate for such activities because of the business purpose of the cooperative, and they felt it focused on business rather than social activities. Separating the unit as a foundation increased the opportunities to receive funding from donors. Furthermore, GT contributes approximately 3% of its sales to the Planet Foundation activities. The operation of GT and the foundation went well for many years, leading to the next phase of operation.

6.3.3.2 The Years of 2001-2010

Since the establishment of GT, the concept of fair trade has been applied to its operations. GT received a certified fair trade label on its rice products from the Fairtrade Labelling Organization (FLO) international in 2002. GT claims that the cooperative was the first FLO certificated operator in Thailand. The FLO certification increased the credibility of GT's products and the opportunities to sell the product to fairtrade

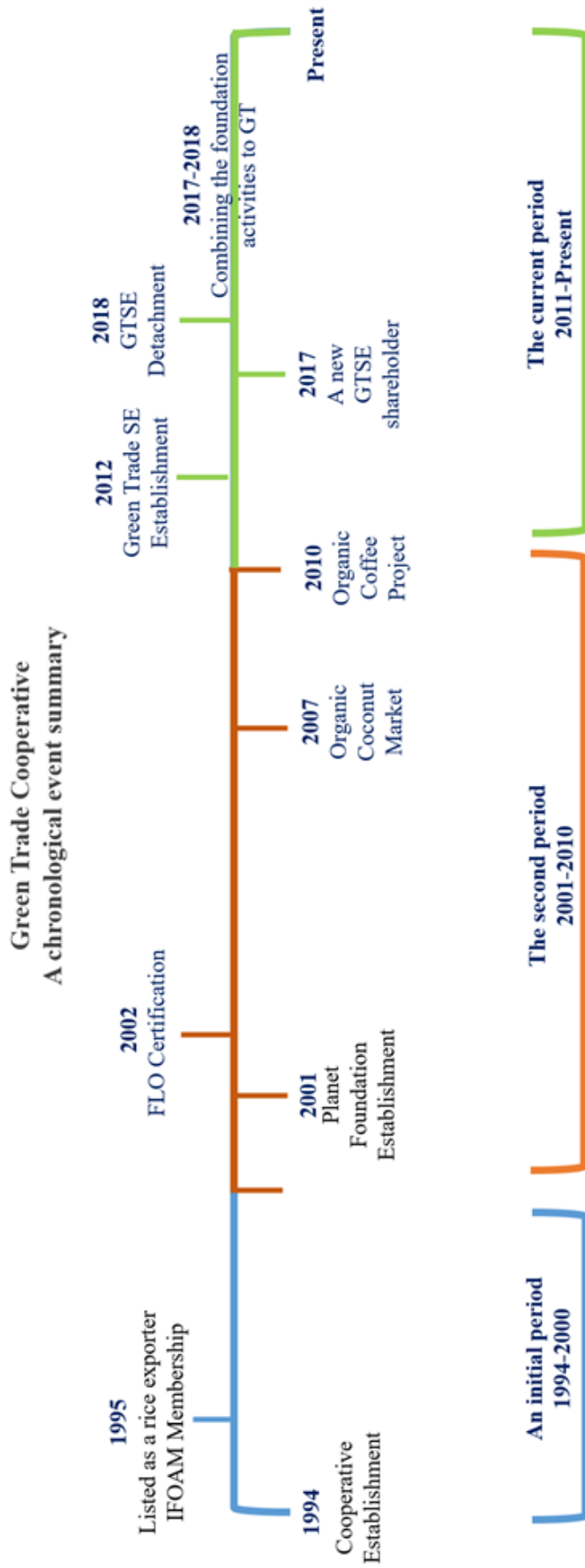
customers. In 2007, GT initiated organic coconut marketing and selling. In addition, a factory was founded for rice packaging in a northern province where a major organic rice producer was located. During this period, while the cooperative conducted organic agriculture trading, the Planet Foundation engaged in many activities, namely, promoting the organic agriculture network, providing consultancy services and publishing books and other pamphlets. The foundation also created an organic coffee project in 2010 and further expanded to another entity in the following period.

6.3.3.3 The Years of 2011-Present

The business expansion of the organic coffee project led to the establishment of a separate entity, called Green Trade SE (GTSE), registered as a company in 2012. Planet Foundation initially grew organic coffee under the trees it was seeking to preserve in the watershed forest in the north of Thailand. GTSE was established to sell the organic coffee; however, since coffee bean processing required a large amount of investment, GTSE had to find an investment partner. The partner later became the majority shareholder in 2017 and GTSE finally detached from GT and changed another name, instructed by new shareholder. However, the Planet Foundation remains involved in providing organic coffee consultancy to the new company.

Another organisational structure change recently occurred by combining Planet Foundation's activities with GT's operations. As noted, previously, the foundation covered the cost of community outreach, including knowledge dissemination, by external funding and some support from GT. In recent years, the community outreach and knowledge dissemination activities were mainly covered by GT. The explanation, from the founder, is that the cooperative income is now adequate to support these activities. Therefore, the need for donations has reduced. Furthermore, having GT cover the community outreach and knowledge dissemination costs reflects the actual cost of operation. Consequently, the foundation receives fewer donations from external funders. Figure 6.3 summarises chronologically, events within GT.

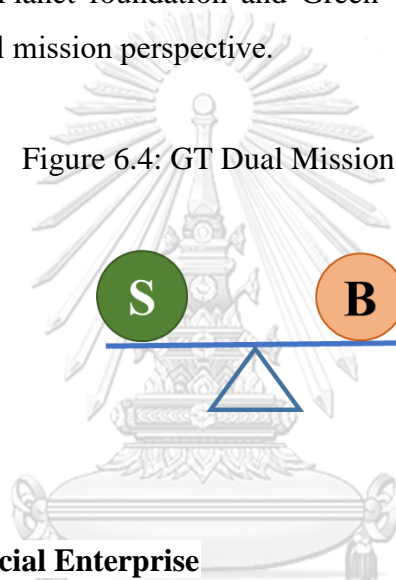
Figure 6.3: Green Trade Cooperative : A Chronological Event Summary



6.3.4 GT Dual Mission Perspective

The GT context, described above, clearly exhibits GT's motivation to balance the dual mission when it established in a cooperative form. In addition to increasing organic farmer members' income by providing sales/marketing services, the cooperative's profit simultaneously increases agrarian income in the form of (1) dividend (if paid) to farmer members and (2) by purchasing all qualified products of its members through an agriculture purchasing products benefit. Besides, when mission drift was likely to occur, GT opted to separate out other organisations to prevent mission drift as when GT separated out the Planet foundation and Green Trade SE company. Figure 6.4 demonstrates GT's dual mission perspective.

Figure 6.4: GT Dual Mission Scales



6.4 Golden Land Social Enterprise

Golden Land (GL) social enterprise has a long history in its establishment. Similar to Happy Tribe social enterprise, GL was founded by the Thai Royal Family, the late King Bhumibol and started its operation as part of the Royal Project Foundation under His Majesty, King Bhumibol Adulyadej's patronage. In 1969, the late King Bhumibol observed forest destruction from shifting opium cultivation in addition to hill tribe villagers' poor quality of life in the northern provinces of Thailand. He sought to improve the hill tribe community's quality of life. Therefore, the hill tribe farmers were encouraged to stop opium cultivation and replace the cultivation by other commercial crops. The Royal Project Foundation was founded, attempting to conduct research for alternative seasonal crops (i.e., winter crops) and disseminate agriculture knowledge to the hill tribe communities so that the opium cultivation was abandoned. The winter crops (Fruits, vegetable and flowers) were suggested because of the suitable climate in the mountain area and market opportunities. The Royal Project Foundation was

successful in replacing the opium cultivation by winter crops with unforeseen consequences, which led to the establishment of GL.

6.4.1 Social Objective

GL social objective aims to increase hill tribe's community income after abandoning opium cultivation. Over the succeeding years of the Royal Project Foundation, agricultural products were grown, but the transportation from the hill tribe area to customers was burdensome to the farmers. Consequently, middleman took an important role for product distribution which later led to middleman exploitation. To resolve middleman exploitation, GL was established in a company legal form to operate food processing factories and market distribution of these agriculture products. GL purchases agriculture raw material from the hill tribe's community at a fair price to ensure community income. Compared to Happy Tribe SE, GL's social objective is confined, focusing primarily on increasing beneficiaries' incomes, and social beneficiaries are located in different area from HT. To continuously increase the income of the hill tribes, GL operates as a business to promote business objectives.

6.4.2 Business Objective

GL business operations started in 1994 when it detached from the Royal Project Foundation. The business primarily focuses on fruit processing products, i.e. dehydrated fruit, ready-to-drink fruit juice, and honey. All of the products use agricultural raw material from its social beneficiaries (i.e., hill tribe community). GL affirmed that its products have only natural flavours; thus, its increased product value simultaneously increases the purchasing of agricultural raw material from the hill tribes which eventually increases the social beneficiaries' income. GL emphasises the domestic market and distributed its products through many distribution channels, including modern trade, franchised shops and convenient stores. GL's operation has covered 25 years, as now described.

6.4.3 GL's Operation

Chronologically, GL's operations can be divided into (1) An initial period, covering from 1972-1993 when GL was operated as part of the Royal Project Foundation, (2)

The second period, covering the years 1994 to 2012 in which GL detached from the Royal Project Foundation and (3) The current period covering from 2013 to present in which GL modernised its brand image, and extended to a wider group of customers. The detail of each period is now explained.

6.4.3.1 An initial Period (1972-1993)

As noted, the operation of GL firstly initiated as part of the Royal Project Foundation after the foundation successfully replaced opium cultivation with alternative crops. The GL's operation aimed to increase farmers' income that had been reduced by middleman exploitation, and delayed sales leading to rotting of agriculture products. In 1972, the first royal factory (Royal factory 1) was established to resolve the problems and focused on preserving agricultural products. Due to resource limitations, Royal factory 1 was started by modifying a car, equipped with food canning production and quality control equipment until 1973 when a permanent factory was established. In 1974, the second royal factory was established. Both of the factories aimed to process agriculture products in cans, using winter crops from hill tribes' communities around the factories' areas. All of the preserved agriculture products were sold under the "Golden Land" trademark, operated by the Royal Project Foundation. The Golden Land trade name was launched in 1975²¹ and the first official logo was created in 1978²². The first logo was used not only on all products of the Royal Project Foundation, such as fresh vegetable and fruit, but also on the preservative products from the Royal factories 1 and 2.

As well as to resolve middleman exploitation and oversupply of products, the location of both factories was positioned to eliminate drug trafficking routes. Besides, the communities around the routes were hired to work in the factories so that they could earn legal income rather than performing drug smuggling. Furthermore, both of the factories had health care and child centres, corresponding to the King's vision about increasing income, education opportunity and health care.

²¹ From museum

²² From Company website

From the accomplishment of the Royal factory 1 and 2, the third (Royal Factory 3) and fourth royal factory (Royal Factory 4) were founded in 1982, also located in north-east Thailand. The initiation of the Royal factories 3 and 4 was to improve the rural community's quality of life and to ameliorate rural people's poverty and disturbance by communism. Unlike the Royal Factories 1 and 2 in which the farmers grew winter crops, the farmers around the Royal Factories 3 and 4 were encouraged to grow other crops, such as tomatoes. Early success led to the second period of Golden Land operation.

6.4.3.2 The Second Period (1994-2012)

Previously, the Royal Project Foundation generated income from operating factories. However, when the factories were expanded from one to four factories, the foundation form was not suitable for business operation, in terms of effectiveness and the organisational objective. Therefore, the second period started when the royal factories were transferred to a registered company, called "Golden Land" in 1994, operating as a social business. The operation of the factories was separated from the Royal Project Foundation; nevertheless, some connections remained. GL still purchased the agriculture products from the Royal Project Foundation. However, when the raw material from the Royal Project Foundation was insufficient for the factories' production, GL also provided its own agricultural extension to the community around the factories. The agricultural products were purchased from the farmers, using fair prices to increase the farmer's income, which is the primary social objective of GL. In 2000, the GL logo was revised to be distinct from the Royal Project Foundation whereas the Royal Project Foundation used the foundation's logo since 1992.

Before 2002, the operation gradually expanded from selling into the domestic market to exporting. Exported products were sold in another trade-name. However, many of GL's production lines and resource limitations made it difficult to focus on mass production. Therefore, after 2002, the marketing strategy was refocused to be more on the domestic market. Besides, the factories 1, 3 and 4 were temporarily closed. Factory 1 was closed in 2006 due to major flood in Thailand, factory 3 was closed in 2010 due to the damaged production machines whereas factory 4 was closed because of the

economic crisis in 2000. Factory 1 and 3 reopened in 2009 and 2012, respectively, with factory 4 being currently under renovation. In the second period, GL faced business difficulties. The company carried deficits of over 100 Million Baht in 2001.²³ until 2012 when the deficit was dissolved from continuous improvement in annual profit since 2004.

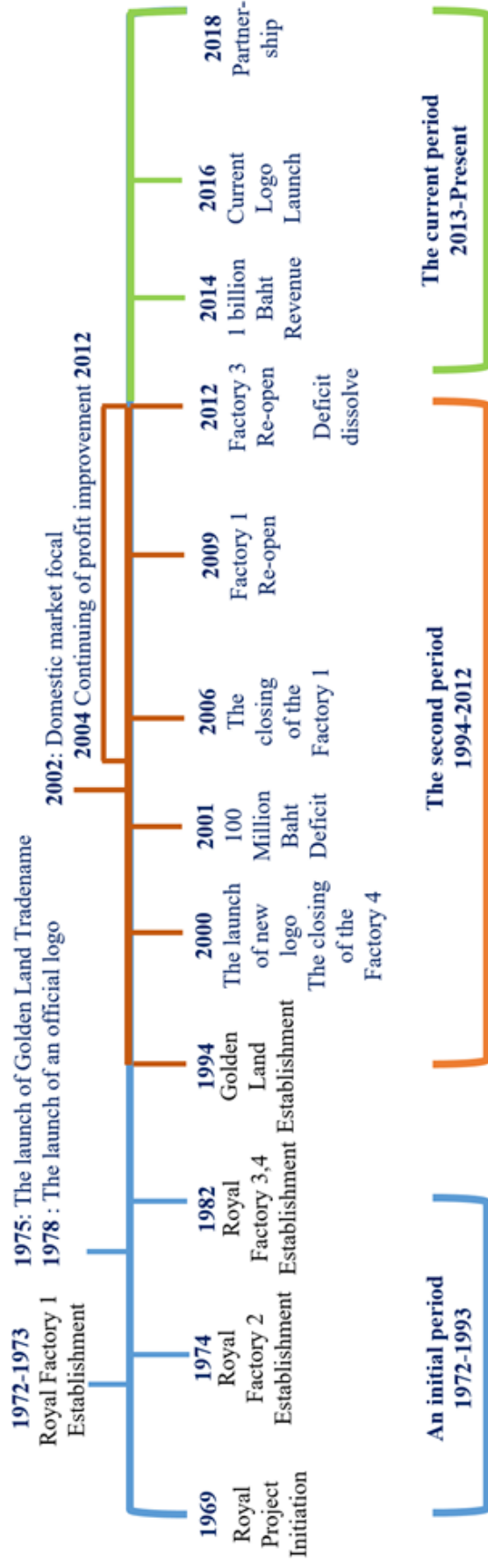
6.4.3.3 The Current Period (2013-Present)

In the third period, GL modernised its image and publicised itself to its customers. The company's consumer target was expanded to include the younger generation and working-age group in addition to the family consumer group. Consequently, the logo of the company was revised to be more modern in 2016. The distribution channels were extended to allow easier access for customers. These channels included the company's shop, dealers, franchise, modern trade and convenient stores. In 2018, GL partnered with an international soft drink company to develop new products, using raw material from GL's line. Since 2014, the company can generate over a billion baht in sales revenue each year. Many activities were adjusted to capture new customer groups.

GL's chronological events is summarised in Figure 6.5. The initial period provided the timeline of the factories' establishment whereas in the second period, GL was separated from the Royal Project Foundation. The current period exhibited GL's rebranding and partnership. The GL Management Control (MC), especially after it separated from the Foundation, will be explored in Chapter 7.

²³ The figure was presented in company's financial statement. The financial statement was retrieved from Department of Business Development, Ministry of Commerce.

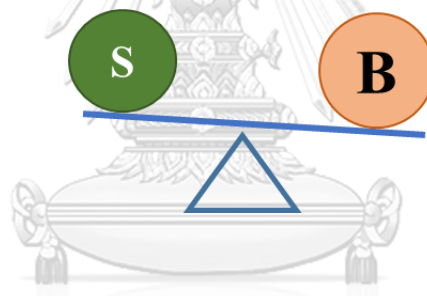
Figure 6.5: Golden Land Chronological Event Summary



6.4.4 GL Dual Mission Perspective

For GL's dual mission perspective, even though, GL was once as part of the Royal Project Foundation, it was establishment to operate as a business rather than a Not-For-Profit (NFP) enterprise. GL aimed to be self-financing and simultaneously combined the social objective to increase hill tribes' incomes into its operation. The more product GL produced, the more social beneficiaries' income increased because all of GL's raw material is purchased from social beneficiaries. For this reason, the scales of dual mission seem to be equally balanced. However, GL slightly uses business to lead its social objective considering that the social beneficiary groups are confined by market opportunity. Also, the purchasing price provided to social beneficiaries is a fair price but has been limited to ensure business sustainability. Figure 6.6 demonstrates GL's dual mission scales.

Figure 6.6: GL Dual Mission Scales



6.5 B-Read

The final case, B-Read, is a social enterprise founded by a well-known Thai physician in a company form in 2008,²⁴ its operation started in 2009.²⁵ B-Read is a separate income-generating entity of a foundation (Victory Foundation) which was founded by the same founder. Previously, the founder has initiated a Not-For-Profit organisation to resolve a social problem, relating to health issues (i.e., family planning, HIV/AIDS transmission). He successfully established a separate business company to generate income for the NFP organisation which sustained the NFP's social activities for more

²⁴ Information was obtained from company's registration document with Ministry of Commerce.

²⁵ Information was obtained from the foundation's website on 18 December 2019

than 40 years.²⁶ The establishment of a separate entity to generate income helps lessen the dependency of external funders or donors. Therefore, he used the same approach to B-Read to generate income Thai educational program, called Bamboo school.

6.5.1 Social Objective

B-Read's social objective is to generate income to support Bamboo school which was established in 2009 by the same founder as B-Read and Victory Foundation. No dividend is paid to the company's shareholders.²⁷ In addition, one of the company's registered objectives is to conduct businesses to support rural community development and public interests.²⁸ Bamboo school is a boarding secondary school (grade 7-12), located in a province in the North-Eastern area of Thailand. The objective of the school is to increase educational opportunities for children in a rural area. From the founder's perspective, Thai conventional education focuses on literacy rather than on how to be a decent individual to society and living happily in a local environment. He aims to enhance rural children's capability not only in literacy but also morality and creativity skill (i.e., in business). In addition, B-Read's CEO also reflected the founder's perspective that education is important and is an initial solution for other social problems (i.e., HIV/AIDS transmission). At Bamboo school, the tuition is free of charge; however, the students have to earn 'doing good hours' (i.e., cleaning public space, growing plants or provide free teaching services to the community), as the school indicates instead of paying the tuition fee. The Bamboo school was also established to be a learning hub in the community in which the people in the community can use school facilities for learning. Since all the incomes B-Read generates will be used in Bamboo school activities; hence, the objective of the Bamboo school becomes the social objective of B-Read.

²⁶ Information was obtained from Non-for-Profit website on 3 February 2020.

²⁷ Evidences from company's financial statement

²⁸ Information was obtained from company's registration document with Ministry of Commerce.

6.5.2 Business Objective

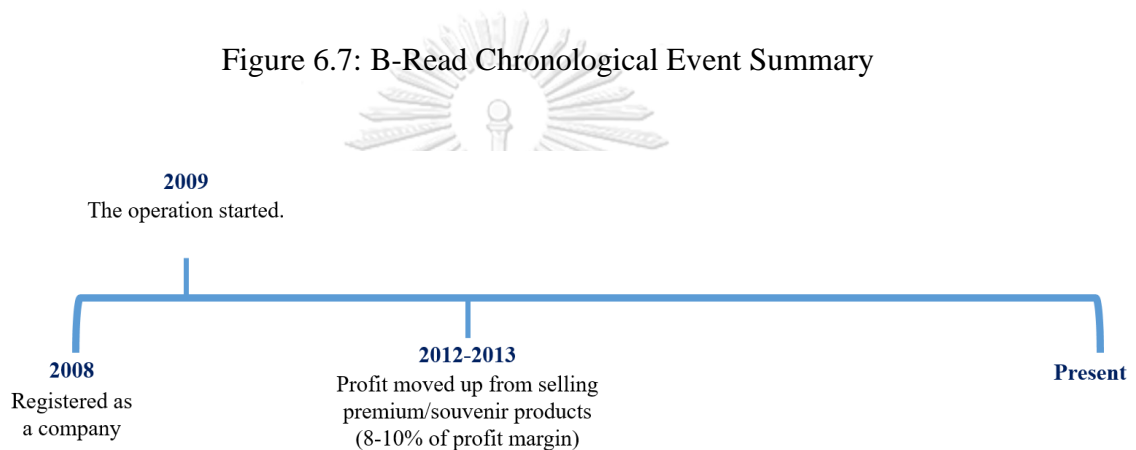
B-Read defines itself as a trading company with the freedom to sell any products which generate the most income within the available market opportunities. However, B-Read opts to sell rice by purchasing rice from parents and the community around Bamboo school, packaging them under the “School Rice” brand. Purchasing rice from the parents and community increases these people’s incomes, along with providing their children with educational opportunities. A difficulty occurred because there is a small amount of rice being sold to B-Read, and overhead costs (i.e., rice quality control, packaging) are high. Hence, the profit margin is low. For this reason, the business plan was changed to purchase rice from agricultural cooperative rice mills (instead of individual farmers) within the school area where the parents and community farmers sold their rice. Doing so, B-Read can rely on the rice mill’s quality control which saves its own cost of quality inspection. The rice can be sold in the mass-market as (1) Business to Business (B2B) to hotels, restaurants or universities’ cafeterias (2) Business to the customer in the retail shop (department stores) and (3) selling as a gift in on special events (i.e., New Year). B-Read is a self-sustainable business, but, presently, the income is not sufficient to cover all of the Bamboo school operating expenditure. However, the company provides non-monetary support by acting as a distribution channel for agricultural products produced by Bamboo school students (i.e., melon, vegetable) as part of one subject in the curriculum. In addition, B-Read is a business learning centre for the students who would like to practice business skills. Additional information about B-Read operations will be explained in the following sub-sections.

6.5.3 B-Read Operation

B-Read started its operation in 2009. As noted, its revenue is generated from selling products, mostly rice and agricultural products from Bamboo school. B-Read CEO revealed that as a small rice trader, the entrance fee for selling rice in department stores is high; therefore, the profit from the first few years of operation is low (profit margin 1-3%). For this reason, the CEO developed a new product, namely, premium/souvenir products. The CEO sought to find a unique selling point for the new product so he attached the story of B-Read social objective (where the profit from selling all of these premium goes to) into premium/souvenir products (i.e., as part of calendar souvenir or

small pamphlet attaching to the products). They try to communicate the brand at the same time. Nevertheless, the CEO also selected community products for sale as premium/souvenir products. Consequently, the profit margin moved up in the fourth year (10% profit margin) and fifth year (8% profit margin) of its operation.²⁹ Nonetheless, in later years, an issue has occurred with community products in terms of uncertainty in production lead-time and quality. Therefore, B-Read refocused to selling rice, especially in the B2B channel. The profit margin dropped but still the company remains self-sustainable. Figure 6.7 demonstrates a chronological event summary.

Figure 6.7: B-Read Chronological Event Summary

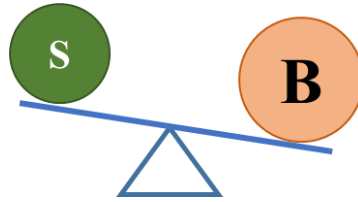


6.5.4 B-Read Dual Mission Perspective

In contrast to other cases in which they combined social and business objectives within the same entity, B-Read is a separate company, aiming to generate an income to support Bamboo school's operation. Since the company does not perform the social activities on its own, the B-Read's objective is more focused on business rather than social objectives. However, the business focusing is not in an extreme way because of the acknowledged agreement among shareholders/management, and one of the registered objectives to use all the B-Read revenues to reinvest into company's operation and Bamboo school support. Therefore, B-Read's dual mission perspective can be shown by Figure 6.8.

²⁹ Evidences are obtained from CEO's interview and company's financial statement.

Figure 6.8: B-Read Dual Mission Scales



6.6 Summary

Previously in Section 6.2-6.5, the cases' backgrounds and their social and business objectives have been revealed, including their attributes, namely, organisational form and dual mission perspectives. The organisational form is different from each cases, ranging from a foundation, cooperative and company form, which leads to differences in the dual mission perspectives. A summary of the cases' attributes can be shown in Table 6.1. These attributes will be further discussed in Chapter 8 in terms of the attributes and SE definition and MC.

Table 6.1: A Summary of Cases' Attributes

Cases	Organisation form	Dual Mission Perspective
Happy Tribe	Foundation	
Green Trade	Cooperative	
Golden Land	Company	
B-Read	Company	

CHAPTER 7 THE USE OF MANAGEMENT CONTROL

7.1 Introduction

In the previous chapter, the cases' contexts were revealed, providing their background including the organisations' legal forms, social and business objectives, their operation and dual mission perspectives. In this chapter, the Management Control (MC) used by each case will be discussed in conjunction with a revised version of Simons' Lever of Control (LOC), proposed by Tessier and Otley (2012). The MC, used by each case will be classified according to the MC conceptual framework, in terms of type of control, objective of control, managerial intention and MC consequences. Besides, the individual MC will be examined to understand the objective whether the MC ensures the co-existence of the pre-established dual mission of achieving social or business objectives. The sections below will disclose the MC of Happy Tribe, Green Trade, Golden Land and B-Read.

7.2 Happy Tribe MC

Happy Tribe (HT) is a social enterprise with a foundation legal form, aiming to improve hill tribe community's quality of life, as well as seeking to sustain its business by generating income through food, handicraft, horticulture and tourism. HT's operation started in 1988, acquiring a dual mission perspective with a stronger focus on social objectives than business objectives. As explained in the HT Context (Chapter 6), HT's first phase purely aimed at the social objective to connect with the hill tribe community for infrastructure and skill-building. The dual mission started in the second phase when the business objective was introduced and remains in the third phase. The following sections provide MCs, used by HT.

7.2.1 Ensuring Co-Existence of the Pre-established Dual Mission

A set of MCs are conducted to ensure the co-existence of the pre-established dual mission, beginning with the formation of a belief system towards a dual mission. The belief started with an understanding that both objectives can co-exist with the CEO stating that;

“I think the word “Social Enterprise” is the “happy coincidence” in the case of Happy Tribe.”

He also explained that following the first phase of meeting social objectives;

“.... We then realised that this is not working. If the people cannot survive (gain income), the forest cannot be sustained. We have to create income for the community so that they can preserve their forest. So we kept asking ourselves what to do next and how we can solve social problems sustainably. Then we found that business can be the key to our solution. So, in my opinion, HT social enterprise is a 100% alignment between social mission and business operation.”

The CEO’s attitude towards the dual mission is from his background. The current CEO is related to the royal family and a son to the previous CEOs, which are related to the royal family. Therefore, the belief is embedded in his childhood. The relationship of CEO also ensured the co-existence of the dual mission.

The MCs, consisting of the belief system towards dual mission and CEO successor are social controls, focusing on inspiring the HT’s staff. They fulfil the strategic boundary objective to confine the appropriate opportunity-seeking area. The MCs are used interactively throughout HT to make sure that the staff members have the same belief so that the staff behaviour can be predicted (constraining role). Reward and punishment of the belief system of dual mission are intrinsic reward/punishment of merit or vice versa (i.e., proud to do good for the society or vice versa). Table 7.1 shows a summary of HT’s MC against the MC conceptual framework. After the belief system, called “happy coincidence”, was established, it has to be communicated throughout the organisation.

The “happy coincidence” concept is circulated on-the-job by an asking/answering questions approach. When the staff members propose new projects individually or in team meetings, the management, especially the CEO, will ask his staff questions as to what the community gets from this project (social objective). Then, the staff members who defend the project will have to answer whether it is worthwhile doing this project

(business objective). Besides, they will sometimes need to consider whether they and their colleagues can learn from executing this project (department objective). These questions, asking and answering, were reflected by HT staff during the interviews as noted;

“I knew he (the boss) has to ask, so I have first to answer why we have to do this, what the community will get. After that, I started to find additional information and plan the project before proposing to my boss. My boss will see the reasonableness and project feasibility. He (the boss) will then see if it is worthwhile or it is a suitable time to do this. Now, even though he (the boss) did not ask, I asked myself these questions anyway. I do not want to waste other people’s time by doing something that is not worthwhile to do in the first place. For other people, I mean to include my colleagues [and work out] if they can learn anything from this project.” (Community staff).

“I have to think about both the outcome (social) and income (business) when we are trying to propose a new project. I have to answer three main questions of ‘what does the HT get (business)? What does the community get (social) and What does my department get?’. For example, I proposed a project relating to solar cell energy for our museum. I have to think about how much of the electricity cost we can save from this [project], how much carbon footprint we can save. Finally, all of these can help to achieve the department’s goal.” (An Environment staff).

Because the tasks of community and environment staff members are related to the social mission, the answer to the question about the worth of the project is the attempt to be cost-effective. In terms of business, “happy coincidence” means making a profit from resources which HT can acquire from its beneficiaries. Therefore, they argue that both objectives can be achieved simultaneously. Initiating a business opportunity without building on the prior foundation can be harmful for the organisation with limited resources, as noted;

“We have to know our people, our environment, our social capital. When we said capital, we mean all of them, i.e. human, nature, forest, water culture, not only financial capital, and we will see that we have many capitals. Our business plan needs to be clear that we will add value (attraction, quality and functional benefit) to products, produced

from our social capital. Once we have valuable products we can sell profitably. At the same time, income can be generated to HT and community.” (CEO)

Manager 2 added;

“We built from what we have, that is the base of our business. We have to see social capital in our area; the social capital includes all resources, local wisdom, trees and everything. We will then plan our business from that.” (Manager 2)

Combined-team meetings, a flat organisation and leading by example are also among the key MCs, to communicate the belief system, especially through combined meetings between staff members who worked in the social and business department, as noted;

“We have a management meeting once a month. Previously, there will be only the business department who join the meeting, but now we (social departments) have to join the meeting as well. Both of us (business and social) have to know the information so we can support each other.” (Manager 1).

“Our teams are flat in term of organisation structure. The CEO or chairman can access gardening staff. We have the least hierarchy. Also, we have a lot of mass communication within the organisation. We have several group meetings, combining some 100, 50 or 200 staff meeting with CEO or the management. So the key messages can communicate throughout the organisation.” (Manager 2).

“Our management team is quite “on the ground”, compared to the CEO of a for-profit organisation. Our organisation culture is that we worked as a family member, so the communication just goes through.” (Manager 3).

“I think something which I learnt from the former CEO is that we have to “lead by example”. If I cannot do it, how can my staff? I have to do it with them (he states that he has to be in the field when the staff members perform the social development projects.) We do not rule by fear but rule by respect. Respect is not given but earned.” (CEO).

The “happy coincidence” concept is not only communicated via the informally on-the-job practice or family relationship but is also formal. HT established a museum to exhibit HT history, including all social and business activities. HT’s new and current employees, including visitors, can visit at any time.

The MCs, conducted to communicate the belief system, also produce essential consequences. During the question asking/answering process, the dual mission awarenesses of “happy coincidence” was raised. The analytical skill of the staff emerged when they were trying to answer the questions. Awareness and learned analytical skills allow the staff to know how they can be part of both HT’s social and business activities. This sense of making a difference leads to self-motivation.

Furthermore, the combined-team meetings raised the “happy coincidence”, dual mission awareness, and leading by example meant that the CEO gained staff’s respect. Manager 1 provided an example when he attended the meeting and observed damaged-stock from a ceramic factory. He said:

“If we know that we have many defects from ceramic glasses and we (social department) need glasses for our guests in Community meetings, we will use these defects (glasses) instead of buying new. This (using defects) can save overall cost of HT. I am not good at the numbers, but I know roughly from the meeting how much we have profit or loss, they (business department) provided all information. Once we knew that, we would help by saving costs.” (Manager 1).

Manager 1, who is in charge of a social development department, realises the business cost and attempts to reduce it because he has dual mission awareness.

Another consequence is from physical communication through the museum which communicates HT’s operation to outsiders. It increases HT’s reputation, which later is an important behaviour control. It is likely that HT would be questioned by the public if it drifted from its dual mission.

To categorise the MCs into the framework, all MCs are social controls because they involve a socialisation process, purposing to affect staff or museum visitor's emotions. They are used interactively to accomplish different objectives of control. All of them, except the combined-team meeting and flat organisation, aim to set the boundary – it is the strategic boundary objective. Combined-team meetings focus on updating social and business staff on the operation of HT and promote discussion between the team members so that they can inspect whether the strategies are valid (strategic performance). The flat organisation promotes socialisation opportunities between the management team and staff. This type of structure also facilitates a faster flow of feedback communication than the hierarchical organisational structure; therefore, it fulfills operational performance.

The MCs play different roles. The questions were asked and answered to simultaneously produce creativity (enabling role) and reduce the inappropriate options (constraining role). Combined-team meetings and the flat organisation attain the enabling role. Staff members actively share their information in combined-team meetings to induce creativity (enabling role) such as how to use defects from social work (i.e., defective ceramics in the hotel room) while the flat organisation is to promote flexibility. Leading by example accomplishes both roles by inspiring the staff and constraining the staff's behaviour whereas the museum means to inspire visitors about HT's operation (enabling role).

The reward and punishment of the MC, mostly, are intrinsic. The process of question asking/answering induces self-motivation and staff analytical skills, which is regarded as an intrinsic reward. The creativity from combined-team meetings makes the staff members feel good (intrinsic rewards) as they can be part of the successfulness of HT in achieving its dual mission. The reward/punishment of leading by example can be intrinsic, as the CEO's actions induce respect from staff towards the CEO and management team.

Not only can the MCs be classified into the framework, but the consequences of MC performance are also MCs, categorised into the framework. Dual mission awareness is

as a result of the question asking/answering process and combined team meetings, purposing to communicate the dual mission belief system, whereas respect and good reputation are from leading by example and physical communication respectively. All of these consequences become social controls to contain the boundary at a strategic level and are used interactively as was the MC they are from. The role of respect and reputation fulfil a constraining role that HT will not drift from its dual mission, while the dual mission awareness plays both an enabling and constraining role. The enabling is from the HT's staff effort to meet the dual mission objective by creating some innovation in a particular way. The reward/punishment of dual mission awareness, respect and reputation are intrinsic. The specific MCs used to achieve the social mission are now described.

7.2.2 Achieving Social Objective

HT's social objective is a primary objective since it was established as a foundation. MCs have been performed, mostly related to community connection, to achieve the objective. Additionally, while conducting the MCs, consequential MCs (further action) or MC consequences may emerge and be useful to achieve the dual mission.

To engage with the community effectively, HT executed data collection/analysis, local recruitment and local absorption as MC. Information gathering is regarded as MC since it is an activity to obtain feedback for further decision-making. HT's Head of Community Development Department (Manager 1), who is a hill tribe villager, reflected his memory about data collection/analysis in the first phase of HT that;

“They (HT staff) collected all information such as how many mosquito nets, animals, toilets, and assets. They asked about the education level, family members or any crops, growing in the house area, natural leaders, religious leaders or village scholars in the communities. They recorded everything for further analysis.” (Manager 1)

The geographic and demographic data allowed HT to determine the appropriate infrastructure to match the community's needs (i.e., primary healthcare centre). As noted, because accessibility to the community was an issue, due to the mountain geography and language barriers, HT recruited some villagers who can communicate

as coordinators and to increase HT's engagement with the community. Furthermore, HT staff members were assigned to live in the community to collect data and learn the local culture. The following statement provided evidence from HT's staff about being in the field.

“When I first came to fill in this position (community development staff), HT asked me to live in the community for 15 days, continuously as part of the probation. When I became a permanent staff member, we (community development staff) have to take a turn to be in the community at least 24-hours a month to collect the data and absorb the local culture. HT can informally check the 24-hours rule by asking the villagers, they (villagers) tell it all.” (Manager 1).

Learnings from data collection/analysis and local absorption help HT to understand more about the community. Furthermore, consequential MCs, namely, community committee/participation and knowledge management, are performed to achieve dual mission. HT learnt that the community relied very much on a single local leader. With the reliance, there was a drawback that the leader might misbehave (i.e., kangaroo³⁰ court formation). Therefore, HT encouraged each community to establish a community committee to lessen the reliance on a specific leader.

“Previously, the community leader has great influence; some of them acted as a kangaroo court. So we encouraged the community to set up the committee. Doing so, the villagers can take participation in essential matters, and there is no absolute power to a specific person. We invested a lot on this encouragement, but I think it is worthwhile. We sent the villagers to attend specific courses about the duties and responsibilities of the committee. We sent them on field trips so they can learn from other areas. We encouraged them (the community) to select villagers who have specific skills to be committee members (i.e., livestock, agriculture, education or women).” (Manager 1).

Once the committee was established, HT could directly communicate to the committee such as asking for opinions about social or business activities. The committee enhanced

³⁰ Kangaroo court is an unofficial court, ruled by influential persons without using standards/law or justice regulations.

HT's community participation. When the community participates HT can ensure that both social and business activities align with community's needs.

For the knowledge management, HT continuously keeps the community information update. HT manages such knowledge in systematic way such as developing instructions on how to implement social schemes, consequently HT can generate an income from its knowledge. Examples of income-generation from the knowledge management are HT's model replication in foreign countries or opening HT's area as a knowledge centre or museum for knowledge dissemination to outsiders.

The MCs and consequential MCs can be classified into the MC conceptual framework. Data collection/analysis is a technical control considering that it follows the rules/protocols concerning how to collect the data. Such MCs have a different purpose in different stages of HT's operation. In the early years when HT attempted to access the community, the data collection/analysis aimed to learn about the community so that HT could create an appropriate social scheme. At this stage, the control objective was to verify that HT's strategy (providing social scheme), is valid; therefore, it matched the strategic performance objective of the conceptual framework. Furthermore, data collection/analysis was used interactively to learn about the community so that HT could create the suitable social scheme. Reward and punishment are not explicitly shown in the data.

In the later years, the data collection/analysis focused on gaining feedback from the community especially about the social schemes HT was providing and whether the schemes could be improved or revised. Hence, it can be categorised into the operational performance objective (obtaining feedback in a specific area) of the conceptual framework. Once HT knew more about the community, the data collection/analysis in the later years also fulfilled the strategic boundary so that HT could define the appropriate areas for HT to pursue its social objectives. Besides, the use of data collection/analysis changed to a diagnostic use to update the existing information from the early stages of the operation. The role of control of data collection/analysis in the later years can both enable and constrain. Feedback from the community helps HT

know more about the community therefore HT can reduce inappropriate options/increase predictability (constrain); at the same time it can improve/revise the social scheme. Reward and punishment are not explicitly used in data collection/analysis.

Local recruitment and local absorption are social controls in the sense that HT aims to blend with the community rather than providing written instructions. As HT's context initially faced communication difficulties from language barriers and distrust, both local recruitment and absorption ease such difficulties between HT and the hill tribe communities. For this reason, local recruitment and local absorption serve an operational performance objective as an MC by providing feedback from the implementation of the strategies. In addition, local recruitment and absorption promote communication so that HT can detect whether the strategies are still valid, hence, it could serve the strategic performance objective as well. Local recruitment and local absorption are used interactively (i.e., living in the community). Their role is to constrain, using information feedback from the community to increase community preferences predictability. Again, reward and punishment are not explicitly linked to this control.

Consequential MCs, namely, community committee/participation and knowledge management, can be classified into the MC conceptual framework. The community committee was established through HT's encouragement rather than formal enforcement. It is a social control by inducing a sense of community participation. This MC served several control objectives. Obtaining a community's feedback fills an operational performance objective. The MC could fulfil strategic performance as well as strategic boundary. The MC achieves the strategic performance when the feedback is discussed to ensure strategic appropriateness, whereas it attains strategic boundary when the committee can influence the community's decision in the way that HT agrees with. The participation is two-way communication, playing both enabling and constraining roles (interactive use). The reward/punishment are not yet apparent.

Knowledge management is a technical control because it was done systematically. The control objective is operational performance because the MC acquired feedback/information from data collection/analysis in the later years to perceive the results of strategic implementation. It is an interactive use of control in an enabling role to extend the knowledge, and finally leads to HT's innovation for both social and business. The specific MCs used to achieve the business objective are now described.

7.2.3 Achieving Business Objective

Referring to HT's context, described in Chapter 6, HT engaged in business operation to sustain its social activities. The income-generation of HT started in phase 2. Some MCs to achieve the business objective were identified in the interviews. The first MC is a belief system in the quality of goods/services.

The quality of product/services is emphasised. The belief comes from a statement of the HT founder, who was a prominent royal family member. She reflects that;

“Do not let any people buy our product/service because of sympathy.” (Founder).

While HT has a charity background as part of the Bright Sky Foundation, she realised that an unprofessional (charity-like) operation could not be sustainable. The founder's statement was transformed into a belief in emphasising to the quality.

The CEO re-stated;

“We are not charity when we are doing business. So we have to focus mainly on [product/service] quality. I think what I and my team did is that we emphasise on quality in everything we do. We believe that if we reach quality, everything else would be easy.”

This quality belief was passed to the senior manager who is responsible for HT business and social operations;

“I heard the Founder's statement a long time ago about ‘do not let the people buy our product/service because of sympathy’. I totally agreed with that I think this is the reason why we started HT social enterprise. The statement happens to agree with a survey

which we acquired from the consulting company. The survey said that people would buy product/service's quality rather than spending money because they think we are doing good things." (Manager 2).

The CEO added that;

"We do not gain any advantage from doing a good thing for society when we operated our business. If we do not operate our business on a quality principle, that is the end of our business."

HT's products and services can compete in business because of the belief that quality should be emphasised. This belief system is a social control to direct HT's staff to consider the quality of goods/services - it is a strategic boundary in a constraining role to increase the predictability of HT's staff behaviour. The MC is used interactively to achieve business objectives. Reward/punishment could be linked to monetary reward/punishment in the business operation (i.e., higher sales/profit) but it does not explicitly emerge from interviews with HT's staff members.

The next MCs occurred when HT attempted to generate income from its social knowledge by model replication. HT conducted MCs – planning, providing autonomous decision with management support and profit centres. When model replication was initiated, project planning was carefully performed. The interviewees reflected;

"I used to say to my brothers (staff) that you have to "plan the planning". Most of the people just planned, but I want them to deeply realise the objective and expected outcome before making the plan. That will make a sharp plan." (CEO).

Staff confirmed the intensive planning:

"It is not easy to defend the projects. We have to do it many times before proceeding. He (CEO) said 'this objective is not clear, go back to correct it'!! And we have to do it again and again." (Manager 2).

In addition to the planning, the project team takes full responsibility to execute the project with management support. Manager 2 said:

“They (project manager and team members) can be a project owner. They initiated everything from the start, planning, defending or budgeting.”

The CEO added that;

“The most important thing is that I have to make sure they (the staff) will not fail. You have to give them enough support to go on. I do not see any point to temporarily raise them up and “shoot them down.” This is family; we do not kill our family members. We have to make sure that they survive.”

As a result, the staff members dare to make decisions based on the information gathered and the CEO can interactively monitor the process. Additionally, profit centres allow for monitoring in which the manager 2 explained that;

“We have a separate account code for each project. We knew clearly how much revenue, expenditure and net [surplus/deficit, result from the] project. Everyone can see their performance whether the project is failing or is a success. If the project failed, the project manager needs to explain and provide the possible solutions for management’s decision - not just end with the problem but needs to find alternative solutions.”

The MCs for model replication produced consequences. For autonomous decisions, when asking a project manager whether the autonomous decision is a pressure or challenge, she said:

“Pressure is one thing. But I know that it is “a sign of trust” when you have full responsibility for a project. Even though I feel like I lack confidence, I will do everything to make sure it will be the best project. He (CEO) always said that this is trust, do your best. It may not be perfect, but it is learning the process. But I must not repeat the same mistake (if any).” (Manager 3).

A sign of trust which manager 3 mentions is from the CEO support. Manager 3 is able to alter the pressure into a challenge because of the supportive and family-like relationship with the CEO. The ability to make autonomous decisions also induced

project ownership. Trust and the sense of ownership activated staff self-motivation to achieve the project. Regarding using a profit centre, it makes the staff members consider the profit/surplus, creating a sense of entrepreneurship within the staff.

Project Planning is a technical control. Through the process, managers and staff members will verify whether the project aligns with HT's objectives and ensure that strategies are valid. Consequently, project planning can be categorised into a strategic performance objective. The planning could serve a strategic boundary to confine the suitable area to pursue. The MC is used interactively by the manager to promote creativity (i.e. how project should be done), at the same time, to increase predictability of staff's behaviour. Therefore, the MC plays both enabling and constraining roles. The reward/punishment from planning is not explicit.

When the project is approved for execution, HT's CEO and managers allow staff members to undertake autonomous decision-making. The staff-in-charge can make decisions on the project and receive appropriate support from the management team. This is a social control as there is no formal guideline on how to do the tasks and the staff-in-charge is fully responsible for the project. To be successful means that they must detect the validity of strategies and set the appropriate boundary at the same time. Therefore, it serves as both strategic performance and strategic boundary MCs. The control was used intensively by managers and staff members (interactive use) in an enabling role to respond to unanticipated situations (promote flexibility) and to create solutions for such situations (promote creativity). From interviews, the reward/punishment for the MC is more of an intrinsic reward (i.e., proud/challenges/self-motived) and intrinsic punishment (i.e., guiltiness/pressure).

Profit centres are a technical control as profit is a task guideline. It is imposed to meet the operational performance objective to provide feedback on profit (business) and it is used diagnostically, detecting when variances occur. The MC plays a constraining role to achieve the business objective. The reward/punishment can be extrinsic for monetary items; however, from the data, HT's staff members perceive an intrinsic reward/punishment as they do not want to fail the management. Monetary

reward/punishment may not be salient, compared to intrinsic reward (proud)/punishment (disappointed).

For MC consequences, trust and sense of ownership are social controls, aiming to achieve a strategic boundary. The staff will not act in disappointing ways to the management who trust them. The staff will not also act harmfully towards the project because of the sense of ownership. The MCs are exercised continuously as interactive uses of control. While the role of trust is constraining to reduce inappropriate options, the sense of ownership plays both enabling (induce creativity to be successful in the project implementation) and constraining (reduce options) roles. The reward and punishment of a sense of ownership and trust are intrinsic, as is the sense of entrepreneurship in enforcing staff to be profit-oriented. Achieving business objectives is likely to cause the mission to drift. However, when the sense of entrepreneurship is incorporated with dual mission awareness, it becomes social entrepreneurship, attempting to provide new income-generation from social opportunities. Hence, the dual mission is enacted. Social entrepreneurship is a social control. It is a strategic boundary in the sense that social and business must be considered together; therefore, they are the boundaries to each other. Social entrepreneurship is used interactively in an enabling role, inspiring staff to be creative as well as confining in an appropriate area.

An example of staff social entrepreneurship can be drawn from the interviews. HT established factories for food processing, weaving and ceramic factories to increase their income. The factories are labour-intensive with the social purpose of hill tribe villagers' employment. Because they are labour-intensive, hand processing makes the nut unshaped, compared with a machine-intensive factory. Thus, the defects from the production are higher. Instead of replacing the labour with machines, HT creates new products from the defects. Macadamia cookies and macadamia butter were launched using the unshaped nut and this was very profitable.

The same approach is used for the ceramic and handicraft defects as they are used in HT's hotel business. The defects were both used as part of the coffee set and bed

decoration in the guest rooms, a restaurant and the office. The use of these defects was cost-saving for the hotel. The leftover from weaving is also created as another product, such as a key chain or doll. Another example demonstrating the sense of entrepreneurship is when HT attempts to increase macadamia nut productivity. Instead of using a chemical process, HT opts to use a natural approach by using bees. The bees will accelerate plant reproduction. From this activity, HT acquires not only higher productivity but also a new product - honey. All of the above examples exhibit how MC for business objective can achieve the dual mission by operating through MC consequences, called social entrepreneurship.

Another control, obtained from the data, is cost control when HT opens themselves as a learning centre. An original purpose of the learning centre is to disseminate HT's knowledge to the public. However, income can be generated from the learning centre (i.e., hotel/restaurant services and botanical garden entry fee for visiting groups). Previously, when the visitors asked for a site visit to HT, HT arranged it according to the available date and time, including the purpose of the visitors. Besides, the visitors could ask for an entry fee waiver for tourism if they were government agencies or a not-for-profit organisation and HT had to absorb this cost. Cost absorption could endanger HT's business; thus, cost control arose. LU staff said:

"We have to separate whether the purpose of the group is to learn our social development projects or travel in our tourism area. If it is for learning, we clearly discuss their purpose of learning so that we can propose a suitable program. Once we are clear with the purpose, we will frankly discuss the cost which we can absorb or which cost is borne by the group. Yes, we do the cost control. We prepare an estimated cost to the new visitors, such as accommodation and meals for visitors. We did not charge the learning course arrangement to the group. We also absorb some of the inter-charge cost, such as the area commuter services fee by actual mileage (HT area covers 15,000 hectares). We have to record all the actual costs. It is cost transparency in case we are audited. We want to do it correctly. Some of the group wonder why we cannot absorb everything because we are the foundation (as HT legal form). We can support part of the cost but not all. If a group asks for comprehensive support, I have to justify

a lot to the management. You have to understand that we have both objectives to disseminate the knowledge and sustain self-income.”

Cost control encourages cost awareness which is useful, especially for social staff members who have no accounting background to be aware of the cost.

Cost control is a technical control. The objective of cost control is to set the boundary (strategic boundary) to perform the knowledge dissemination by using a cost threshold. Cost control also provides feedback from costing information in a specific area (operational performance). The cost control is used intensively in constraining role. No reward/punishment is exhibited from the data, in terms of cost threshold. Cost control induces cost awareness, especially, when social staff members are aware of the dual mission of HT. Cost awareness is a social control to limit behaviour, used interactively to reduce options (constraining role) as well as induce creativity in the social staff to create a satisfying program for visitors at appropriate costs. Therefore, it serves HT's dual mission. Table 7.1 provides a summary of HT's MCs by the conceptual framework for each objective.

Table 7.1: A Summary of Happy Tribe's MCs by MC Conceptual Framework

Case	Control Activities	1 st Level			2 nd Level					3 rd Level				SE Objective			Consequences	
		Type of control		Social	Control Objectives			Use of control		Manager intention		Reward/Punishment	Social	Business	Mission			
		Technical	Strategic performance		Operational Performance	Operational Boundary	Strategic Boundary	Operational Boundary	Interactive	Diagnostic	Enabling					Constraining		
Ensuring co-existence of the pre-established dual mission																		
	Belief system towards dual mission	X				X			X				X	Intrinsic reward/punishment (Feel good, resign)			X	
	CEO successor	X				X			X				X	N/A			X	
	Questions asking/answering (Project initiation)	X				X			X				X	Intrinsic Reward (Self motivation) Staff analytical skill			X	Dual Mission Awareness
	Combined Team-meeting	X			X				X				X	Intrinsic (Good feeling)			X	Dual Mission Awareness
	Flat organization	X				X			X				X	N/A			X	
Happy Tribe	Lead by example	X				X			X				X	Intrinsic (Respect/disappointed)			X	Respect
	Physical Communication (Museum)	X				X			X				X	N/A			X	Good Reputation
MC Consequences																		
	Dual mission awareness	X				X			X				X	Intrinsic (sustain dual mission/mission drift)			X	
	Respect	X				X			X				X	Intrinsic (Respect/disappointed)			X	
	Reputation	X				X			X				X	Intrinsic (good/bad reputation)			X	

Table 7.1: A Summary of Happy Tribe's MCs by MC Conceptual Framework (Continue)

Case	Control Activities	1 st Level			2 nd Level				3 rd Level				SE Objective			Consequences	
		Type of control		Social	Control Objectives		Use of control		Manager intention		Reward/ Punishment	Social	Business	Dual Mission			
		Technical	Strategic performance		Operational performance	Strategic Boundary	Operational Boundary	Interactive	Diagnostic	Enabling					Constrain -ing		
		X	X		X	X	X	X	X	X					X		X
Achieving Social Objective																	
MC																	
	Data Collection/ Analysis (In early stage)	X	X					X		X			N/A	X			•Community Committee/ Participation •Knowledge management
	Data Collection/ Analysis (In the later years)	X	X		X			X		X			N/A	X			
	Local Recruitment/ Absorption (In early stage)	X	X		X			X		X			N/A	X			
Consequential MC																	
	Community Committee/ Participation	X	X		X			X		X			N/A			X	
	Knowledge Management	X	X		X			X		X			N/A			X	
Happy Tribe																	
Achieving Business Objective																	
MC																	
	Belief system in Quality of goods/ services	X			X			X					Monetary reward/ punishment		X		
	Project Planning (at initiation stage)	X	X		X			X		X			N/A		X		
	Autonomous decision with management support (at project on-going stage)	X	X		X			X		X			Intrinsic proud/ challenge/ self- motivate Guiltiness/ pressure		X		•Trust •Sense of ownership
	Profit centre	X	X		X			X		X			Intrinsic is more salient.		X		•Sense of entrepreneurship
	Cost Control	X	X		X			X		X			N/A		X		•Cost awareness (When operating with dual mission awareness)

7.3 Green Trade MC

A second SE is Green-Trade (GT), which registered using the cooperative form to elaborate organic agriculture farming for its social objective. It operates as an organic agriculture products trader, selling most of its products to the international market for its business. GT focuses on social and business objectives equally, partly because of the enforcement by the cooperative form's rules and regulations. MCs are performed to ensure the co-existence of the pre-established dual mission, social and business objectives. The following sections provide further detail.

7.3.1 Ensuring Co-Existence of the Pre-established Dual Mission

GT uses organisational structure as one MC to achieve its goals of promoting organic agriculture and fair trade principles, ultimately to create income to agrarian members. GT's founder and manager states that the cooperative form concurs with the fair trade principle. A cooperative is a unit, where people (i.e., cooperative's members) gather to achieve the mutual purpose of economic, social and cultural through joint ownership and democratic-control (one person-one vote)³¹. The one-person one-vote promotes equity, aligning with the fair trade definition. In addition, GT's members are agrarians from a rural area and are also the social beneficiaries of the cooperative. Generating economic income for its members simultaneously increases the income of its beneficiaries.

Other attempts at organisational structure arrangements are apparent when the Planet Foundation and Green Trade SE (GTSE) were established (see prior chapter). Registering the Planet as a foundation enables it to receive donations, while GTSE was established to undertake business activities, with GT being a major shareholder in this company at the initial stage. However, when GTSE required greater resources, GT lost control as a majority shareholder and GTSE detached from GT entirely. The different organisational legal forms force GT to comply with specific rules and regulations (i.e., how profit can be shared in cooperative regulations, foundation for not-for-profit

³¹ Retrieved from <https://www.ica.coop/en/cooperatives/what-is-a-cooperative>

activities and company for for-profit activities). Thus, GT applied different organisational structures to enhance co-existence of its dual mission.

To categorise the use of organisational structure MC to the conceptual framework, it is a technical control to provide rules/procedures or standards to follow. It serves a strategic boundary objective, preventing improper behaviour that is against that allowed under the organisational form. The MC is used diagnostically to constrain behaviour. There is no reward but an extrinsic punishment (i.e., fine) can occur in case the rules of organisational form are broken.

Another MC GT performs to ensure the dual mission, is voluntarily engaging in third party accreditation, as can be seen when it became a member of International Federation of Organic Agriculture Movements (IFOAM) and received fair trade certification from the Fairtrade Labelling Organisation (FLO) international. IFOAM accreditation helps to verify that agriculture products are genuinely organic for the whole production process, starting from plantation to harvest. FLO accreditation applies the fair principle to the whole business process including producers and customers. Both accreditations help GT to increase credibility with its customers. Furthermore, in GT's case, the producers, its member and social beneficiaries are all the same group (organic farmers), consequently, engaging in both IFOAM and FLO also preserves the social benefit as well. The accreditation elaborates GT's reputation as a social enterprise, focusing on its dual mission as a MC consequence.

Voluntarily engaging in external accreditations (i.e., IFOAM, FLO) is a technical control focusing on providing instructions on how to perform tasks. The voluntary engagement in external accreditations fulfils the strategic boundary objective, as GT must follow the third parties' rules and standards. The MC is used diagnostically on a timely basis, depending on the rules of the third parties (i.e., monitoring visiting from the third parties) and it plays a constraining role. Extrinsic reward and punishment are in the form of certification renewal and withdrawal respectively. The good reputation from being accredited is MC consequence which is social control to limit the strategic boundary, and are used interactively in a constraining role to achieve with intrinsic

rewards (good reputation) and punishment (bad reputation). Table 7.2 provides a summary of GT's MCs by the conceptual framework. The specific MCs used to achieve the social objective are now described.

7.3.2 Achiving Social Objective

GT's social objective is to encourage organic farming by providing marketing/selling services. Therefore, the members of the GT cooperative are rural agrarians growing organic agriculture products. Since all the products GT sells are purchased only from its members, the number of members affects product quantity and can potentially lead to overstocking. Quality of member is important that the successful member can be an example to other communities to join the organic farming growing. Therefore, member selection is vital. GT conducts member recruitment to ensure an appropriate number of members and product quality. GT recruits its members by approaching groups of agrarians who are already interested in organic farming and vice-versa - such groups contact GT for organic farming conversion. GT does not recruit individual members or agrarians who ignore the organic farming idea because it consumes GT's resources, and has a high probability of failure. Mutual interest in organic farming conversion within the community is an important consideration. The founder said:

“If you are the only one who is interested in organic farming conversion, you will feel lonely. And if you are still stubborn [enough] to convert your farm into an organic farm, you will turn to be a crazy ghost in your group. But if you are among the organic farming group and you do not want to convert your farm (into organic farming), now you are crazy in a different way.” (The founder)

The above quote not only expresses the need for a supportive group but also reflects the idea of collectivism in Thai agrarian society. Organic farming conversion takes time. According to GT, the conversion can take at least three years. Consequently, forbearance is essential. A single converter may give up without support from others. Furthermore, collectivism plays a vital role seeing that Thai agrarians tend to follow others. Doing different things is perceived to be bizarre and results in isolating the individual.

At best, the time-consuming recruitment process has some consequences. The recruitment process enhances familiarity between GT and its members. During the conversion, GT cannot purchase the products because the products are still in the organic certification process and cannot be accepted. Also, the agrarian will not become a member until the organic conversion is successful. However, GT informally finds an alternative market for the conversion products, which generates income for the agrarian. After the farmers successfully convert to organic farming, GT staff (or Planet Foundation) will repeatedly visit the farm to maintain the connection and ensure the organic process. The attempt to find an alternative market and recurring visits gradually create trustworthiness, even before the potential member achieves membership status. Not only will familiarity and trust arise, but GT can also disseminate understanding of quality organic farming and business perspectives during this period.

This business concept understanding makes GT's job easier when it comes to price negotiation.

The member recruitment is a social control, as it applies collectivism for the recruitment approach. Recruitment fulfils the strategic performance objective, ensuring that the strategic implementation is still on-track to achieve the social objective. The MC is used when a new member is firstly recruited hence, it is diagnostic use to reduce options or discard inappropriate members (constraining role) to achieve organic farming expansion. The reward/punishment is an extrinsic reward (i.e., having new members) or punishment (i.e., loss of resources). Member recruitment not only strengthens the social objective but also achieves the dual mission that good quantity and quality of members produce quality products at an optimal quantity for GT business. The specific MCs used to achieve the business objective are now described.

7.3.3 Achieving Business Objective

Similar to Happy Tribe, GT aims to be self-financing from its business operations. To fulfil the business objective, the MC of planing, cost control, price negotiation and quality control are performed. Good planning from the beginning of the year is crucial so that GT can be certain it can buy and sell all the product from its farmer members. The GT founder said:

“We purchased all organic rice from our members and bore business risks. Organic rice is harvested once a year, so we know after harvesting how much rice we have in our stock. If our stock is less than the customers' demand, we sell only what we have. That is not a problem. If we have overstock (more rice than sales order), we have to find new customers or sell the excess product at a low price to cut the losses because it is better than keeping rice in our stock for nothing. But in the end, we can average some loss this year and some gain from other years.” (The founder).

Proper planning helps GT to sell all organic products. Storing an over-supply of rice for too long decreases rice quality and increases business cost (i.e., stock cost). Thus, selling over-supplied rice at a low price could be a better option for the business.

Both the quantity and price at which the product is purchased from GT's members must be managed. The purchasing price will become GT's Cost of Goods Sold (COGS) and is a base of calculation of the selling price. Cost control is another MC performed by GT. Cost must not be too high (endangering the business objective) or too low (endangering the social objective). In addition, applying the fairtrade principle forces the GT cost and selling price to be fair to both suppliers (farmers) and customers. Therefore, these costs are closely monitored by the cooperative manager.

Another MC relating to cost control is purchasing price negotiation. Negotiation occurs when GT cannot maintain the same purchasing price at all times. Reducing prices upsets the members when GT cannot offer the same purchasing price as previously, due to market over-supply/price decreases. The cooperative manager said:

“We have pressure from our members like the matter concerning the organic coconut price. Previously, the purchasing price was 30 THB/coconut, but now the market price has dropped to 6 THB/coconut. The members still want us to buy at the same price at 30 THB. The requested price is impossible because we have to sell to our customers at the market price. Purchasing at 30 THB/coconut will be harmful to our business.”

This situation requires price negotiation. The negotiation process is undertaken mostly by the founder and cooperative manager. They admitted that price negotiation is difficult;

“We have to explain the situation to the members. The member needs to understand how we do the business (that is why the understanding of business is important). It’s just like we learn together during the process. We frankly explain why we cannot purchase at the previous price. We asked them to take all prices from the beginning into their consideration, not only when the price dropped. We also asked them to think that a reasonable price will make both of us (GT vs Member) survive in the long term.”
(Cooperative manager)

In this example, with an attempt to control the cost and satisfy the farmers at the same time, GT agreed to purchase the coconut at 8 THB/coconut after conducting many negotiations with the members. The same situation also emerges with organic rice, especially when over-supply occurs. Thus, price negotiation is the key to sustain both the business and the relationship with the social beneficiaries. GT has an annual members’ meeting, according to the Cooperative Act. However, field staff members, including the founder, visit the members’ farms more often and explain the under-purchasing price situation (if any) when they are asked by the farmers. Nevertheless, when negotiation fails, the community can sell their products to outsiders (if any) for a better price, without any penalty from GT. GT provides all information and openly discusses issues with the farmers. The process induces a notion of fairness to the farmers, thus, GT can maintain its members within the cooperative.

Quality control in GT’s case not only includes quality in general but also ensures a genuine organic product. The genuine organic product adds value to GT’s product because it can be sold to other customers at a higher price than conventional agriculture products (i.e., organic vs conventional rice). Furthermore, GT’s organic products are IFOAM certified. The qualified organic keeps GT to be accredited. GT opted to apply for the Participatory Guarantee Systems (PGS) concept for its members. To control the quality, instead of applying rigid rules, the PGS system allows the agrarian community to adopt six elements to suit the community context. The six elements are: (1) shared

vision, (2) participatory, (3) transparency, (4) trust, (5) learning process and (6) horizontality. GT serves as a facilitator to PGS for its members by helping the members to develop the six elements to the farming.

Furthermore, individual organic certification is costly. An advantage of applying the PGS is that the members do not need to bear the certification cost, GT will be responsible for the cost of accreditation. At the same time, only the products which members sell to GT can receive the IFOAM logo stamp. When members sell their products to other vendors, these products cannot bear the IFOAM logo because the member does not own the logo unless the member applies directly for their certification. With this system, GT not only ensures continuous quality of its rice, but also enhances cooperation in terms of product quality from its members, through the PGS system.

Since GT serves as a facilitator for the PGS process, GT is involved intensively with its members. GT and its members work together to comply with PGS guidelines. Trust also develops throughout the PGS process because of continuous communication. Continuous organic accreditation built GT's reputation in being a buyer and supplier of organic products. The knowledge of how to comply with organic accreditation rules and regulations was useful when GT provides training course to other organic agricultural agency.

Planning and cost control are technical controls to be certain that the strategies have been performed and feedback obtained (i.e., in costing); therefore, they serve operational performance objectives. The MCs also attain the strategic boundary objective to limit the activities as planned (from planning) or as allowed cost (for cost control). They are used diagnostically (on a timely basis, or when variances occur) as a constraining role (to reduce options) having the extrinsic reward (profit)/punishment (loss).

Price negotiation is a social interaction between GT and its members - it is a social control. Negotiation promotes communication to make sure that the strategies are on track to the organisational goals; consequently, it serves strategic performance. The MC

is face-to-face communication and is used interactively to achieve mutual agreement. The negotiation plays both roles of enabling and constraining during negotiation process. No reward/punishment is found from the interviews.

Quality control, through the PGS system, is a social rather than technical control. The quality control aims to create norms for the quality of organic farming within the community. The MC serves as a strategic boundary to limit activities or behaviour to be performed within the boundary area (i.e., follow the norms of the community). This quality control is intensively used (interactive) to constrain behaviour. Because quality control is a part of IFOAM certification, the reward/punishment can be extrinsic, namely, certification renewal/withdrawal. The quality control, through the PGS system, leads to MC consequences of reputation, trust and knowledge dissemination. Whereas knowledge dissemination is not a further MC, trust and reputation are social controls to limit the strategic boundary, and are used interactively in a constraining role with intrinsic rewards (good reputation/trustworthy) and punishment (bad reputation/distrust).

Even through cost control, price negotiation and quality control focus on accomplishing the business objective, GT performed all of them with having the members involved with the use of MC. Doing so leads GT to achieve its dual mission as well. Table 7.2 provides a summary of HT's MCs by the conceptual framework for each objective.

Table 7.2: A Summary of Green Trade's MCs by MC Conceptual Framework

Case	Control Activities	1 st Level			2 nd Level					3 rd Level				SE Objective			Consequences		
		Type of control		Social/Technical	Control Objectives			Use of control		Manager intention		Reward/Punishment	Social Business	Mission	Dual Mission				
		Strategic performance	Operational performance		Strategic Boundary	Operational Boundary	Diagnostic	Enabling	Role of control	Constraining									
											Strategic performance					Operational performance		Strategic Boundary	Operational Boundary
Ensuring co-existence of the pre-established dual mission																			
MC																			
	Organization Structure		X				X		X								X		
	Voluntary engagement in Accreditation (i.e., IFOAM, FLO)	X			X			X										X	Reputation
MC Consequences																			
	Reputation	X			X			X										X	
Achieving Social Objective																			
MC																			
Green Trade	Member recruitment	X				X			X									X	<ul style="list-style-type: none"> • Familiarity between GT and its member • Trust • Understanding of business
Achieving Business Objective																			
MC																			
	Planning	X			X				X									X	
	Cost Control	X			X				X									X	
	Price Negotiation	X				X				X								X	Fairness notion
	Quality Control (Participatory Guarantee Systems - PGS)	X			X			X										X	<ul style="list-style-type: none"> • Reputation (see above) • Trust • Knowledge Dissemination
MC Consequences																			
	Trust	X			X			X										X	Intrinsic (trust/ distrust)

7.4 Golden Land MC

After establishment as a company in 1994, GL operates a fruit processing products business but retains a social objective, prioritising raw material purchasing, firstly from its own beneficiaries' farmers, and farmers from the Royal Project Foundation. GL's dual mission is slightly more focused on business than social objectives, as explained in the prior context chapter. The following presents the MCs which GL uses to manage its dual mission. These MCs are categorised into the MC conceptual framework.

7.4.1 Ensuring Co-Existence of the Pre-established Dual Mission

Similar to Happy Tribe, GL uses a belief system to ensure the co-existence of dual mission. The current CEO provided his perspective that the dual mission co-exists. He said:

“We are a “social business” (Social + Business), and both can exist happily. Doing business, nowadays, we have to consider the triple bottom line (society, profit and environment). You can realise the triple bottom line, only if you have public-mindedness. It is impossible if you only said but do not really think of it. You have to accept this concept before it happens in actions. Social business does not easily happen. You must be NOT greedy.” (CEO)

The CEO believed that dual mission awareness must be intrinsic within personal attitudes and express itself in actions. Even though the CEO reflects the “Not Greedy” idea, but for him, profit is still significant in that the profit should be at a reasonable level to cover costs rather than being maximised.

“Doing any business, we must have profit even in a Not-for-profit organisation. Calling it a Not-for-profit organisation is wrong. If you do not have profit, you cannot hire capable people to work for you. Such people, they have to live their life too. If we do not have profit, how can we keep competitive, how can we keep up with technology, and how can we be a good company for our staff.” (CEO)

The above reflections reveal that the CEO has a social-mind for social objectives as well as realises that the profit is essential for business sustainability. Both social and business objective realisation comes from the CEO's background.

The belief system, as presented by the CEO, is a social control, intending to set the strategic boundary. The MC was used interactively to reduce inappropriate options (constraining role) to achieve GL's dual mission. Reward and punishment of the belief system are intrinsic reward/punishment, such as being proud to do good for the society or vice versa.

GL used staff-related background recruitment as an MC to retain the co-existence of the dual mission. The CEO's background is an example of the recruitment. He has many years of experience, with work mostly related to property investment in the Crown Property Bureau before joining GL in 1994. Thus, the CEO acquired business experiences from his former investment position, and his social belief was influenced by the vision of King Rama 9, who was likely his supervisor, he explained that;

"We are a social business from day one when the king (Rama 9) decided to establish Golden Land Social Enterprise (he means when the Golden Land detached from the foundation-see context above). The king said 'we (GL) have to be self-sustainable for our social operation', and we seized this concept ever since." (CEO)

Other staff members at GL also have job-related backgrounds. A sales manager has worked in an international beverage company followed by a foundation operating a coffee business, for many years before joining GL. A factory manager had been a GL trainee when she was an undergraduate student. A research and agriculture manager (R&A manager) is a former staff member at the Royal Project Foundation, and a staff member in the R&A department used to be a day worker in GL's factory. Operational staff members at the factories in other locations are mostly social beneficiaries' family members or from the local community around the factories. The factory manager discussed how recruitment processes explore whether a potential staff tends to have the same belief as the GL dual mission. She said:

"I will ask applicants questions when I am a job interviewer. Those questions include 'how well you know GL', 'what is your working objective' and 'are you self-profit maximising or optimising?'. Some of them frankly told me that they could not be profit optimising and I will sincerely inform them that they are not suitable here." (Factory Manager)

Staff-related background recruitment, in this case, is a social control, determined to affect staff attitude towards social business. Similar to the belief system, the MC fulfilled the strategic boundary objective when staff members are recruited (diagnostic use) to ensure accurate predictions of potential staff behaviour (constrain role) for dual mission achievement. No explicit reward/punishment is linked with the MC. The MC induced a consequence - an understanding of dual mission, which helps ease the belief system communication.

Once the “social business” belief was established, GL must communicate the belief to its staff. A way that the CEO performed to ensure GL’s staff will think the same, is belief communication mostly through his actions. Many staff members reflect the CEO’s actions; for example, the reflection from the sales manager about GL providing the fair-price to the social beneficiary was:

“I was travelling with him (CEO) once, and his phone was ringing all the time. It was about the tomato purchasing price from our farmers, which was higher than we expected. He (CEO) accepted the price raising on all calls. I was concerned that we might get less profit, so I asked him about this. He (CEO) said ‘I do not mind the price raising as long as the price is still within our ceiling because the person who gets the most benefit will be our farmers and we can still cover the cost.’ When he (CEO) said that, I (Sales manager) clearly understand that it is not profit maximisation but optimisation.” (Sales manager)

The above statement exhibits a social objective (to provide the best purchasing price to the beneficiaries) and a business objective (to limit the price increase to that which GL can cover).

Furthermore, as previously indicated in GL’s context, the locations of GL’s factory 1 and 2 were positioned on drug trafficking routes in order to hire the local people around this area. The factories are labour-intensive, which the CEO insisted on retaining by repeatedly telling the sales manager that;

“The factory has to remain labour-intensive even though it has a high running cost. We (GL) created jobs (income) for local people, and it is your responsibility (the sales

manager) to find something value-added for GL's products so we can be more competitive in the market and cover this labour-intensive cost.” (CEO)

The above statement shows an attempt by the CEO to meet the social objectives by continuously hiring the workers and bearing a huge labour cost and trying to increase revenue through innovation.

Another example was reflected on by the factory manager about how the CEO acted to communicate the belief system. She said:

“Our organisation is in the middle, not extremely poor or rich. We do not have to take advantage of others to make the profit. I learnt all of this from interaction with the CEO and management. The CEO and management are easily reachable. They join lunches with staff members at the cafeteria very often when they are here for visits. I learnt stories from them. Learning from real persons makes me understand more than reading from documents. When I get into it, I can effectively communicate with others. I always communicate with new staff members about the history of our company, how we were established, what was the king's vision, and what we have to do.” (Factory manager)

The finance staff members at the operational level also reflected the CEO's action, as follows;

“In the meeting, the CEO emphasised to the purchasing department that if the market price is lower than GL's guaranteed price, we will purchase at the guaranteed price. He (CEO) said ‘the guaranteed price is fair, and we will not take any advantage from the market price falling to give less to the farmers’. I (the financial staff) am impressed by his word because I am a farmer's family too, and he (CEO) meant not to take us the advantage for the business.” (Finance staff)

Other staff members, who have remote contact with the CEO, can learn the belief system through a staff meeting.

Leading by the CEO's example is a social control, aimed at attacking staff's feelings to define appropriate boundary (strategic boundary). The MC was used very often through

the CEO's actions (interactive use). The role of the MC is both to inspire (enabling) and reduce options (constraining role) to fulfil GL's dual mission. The intrinsic reward is earning respect, and the punishment could result in the CEO's disappointment in their actions. The MC induced respect, trust and dual mission awareness.

Respect, trust and dual mission awareness are also social control MCs, focusing on limiting boundary (strategic boundary). All of the MCs were used interactively to ensure dual mission. While all of them play a constraining role to reduce options, only dual mission awareness can play an enabling role to inspire staff to be self-motivated. The reward/punishment for all of the MCs, is intrinsic as respect provides staff satisfaction/disappointment and dual mission awareness provided dual mission sustainability/mission drift, and Trust provided the staff's trustworthiness/untrustworthiness.

Not only communicating the belief by CEO's actions, but meetings are also a way to communicate a belief system. There are monthly meetings in which the CEO and/or management travel to the factory's locations. In the meetings, the staff members present the monthly progress to the CEO and/or management team, and the CEO/management team disseminate GL's belief system. Additionally, physical communication is also conducted. In addition, physical communication by museum is established. GL's museum was established as an example to intensify GL's objectives. The museums are located at GL's factories 1 and 3, and contain exhibitions about GL's history. New and existing staff members can learn from the museum at any time.

Meetings and the museum are categorised as social over technical controls because they aim to socialise the belief system among the staff members rather than to provide specific instructions on how to perform tasks. Whereas meetings can serve both operational performance and strategic boundary objectives, the museum serves strategic boundary objectives. Meetings are a way for staff to report the performance to CEO/management for their specific area of work, as well as emphasising who GL are to limit inappropriate behaviour. Similar to meetings, the museum provides emphasis of GL's identity to limit improper opportunity. The MC is used intensively by

CEO/management as meetings occur at least once a month and staff members can visit the museum at any time. They both play a constraining role to reduce options for pursuing appropriate opportunities. Meetings and museums in GL's case are different from combined team meetings and the museum in HT's case, as these latter play an enabling role. GL's meetings are report meetings, being vertical from operational level to top management and vice-versa as opposed to a horizontal meeting as HT's combined team meeting. For the GL museums, they are not widely open to the public, compared to HT's museum. Hence, the role of meetings and museums in GL is different from HT. No explicit reward/punishment is linked to the meetings and museums. However, both MCs also induced dual mission awareness.

Another MC to ensure the dual mission is centralising important decisions potentially endangering the dual mission, such as the agricultural purchasing price scheme. The price scheme is vital because it affects business sustainability (product COGS) and social objective (social beneficiaries' incomes). The scheme calculation uses various information, including sales plans, agricultural product demand and supply in the market and standard cost of the agrarians' living. The R&A manager explained some ideas behind the scheme's calculation;

"I study the actual cost of each crop growing and add-up the amount for farmers' margins, ensuring that the calculated purchasing price aligns with the standard cost of living in each area. I will then propose the calculation to the management if it is acceptable. If yes, we will use this price for crop purchasing." (R&A Manager)

The proposed purchasing price scheme has already included a reasonable margin for the social beneficiaries, and the scheme will be considered in the team meeting to ensure that business cost is also acceptable. Any changes in the purchasing price scheme must be pre-approved by the CEO.

Overall planning is also essential, so that the CEO can make the pre-approval decision. GL integrates an annual plan, especially sales, production and agriculture encouragement to ensure the dual mission is achieved. The planning is performed annually but can be revised during the year as needed. As noted;

“The planning starts with the sales plan, and the factory will calculate the number of agricultural raw material. Then we will send the number of each crop to the R&A department to see how much they can acquire raw material from our social beneficiaries or how much we (GL) have to purchase from external sources.”
(Production Manager)

However, purchasing raw material from external sources is carefully implemented. The CEO stated;

“We have to consider both sales plans and how much agricultural raw material our social beneficiaries can produce. We will not do a large sales forecast; even though it has the market opportunity, if there is no willingness from social beneficiaries to expand the area of growing crops.” CEO said.

GL has a priority to purchase the agricultural raw material firstly from their social beneficiaries, followed by external sources. If GL excessively pursues market opportunities, it can end up by purchasing the agricultural raw material from external sources over social beneficiaries. In some situations, the social beneficiaries may not expand their productivity to serve new market opportunities since they lack labour and other resources. The dual mission is likely to drift for such reasons.

However, when there is a chance that the market opportunity and the capacity of the social beneficiary are matched, the GL fulfils such an opportunity. For example, in addition to purchasing strawberry for fruit juice processing, when it has market demand for fresh strawberries, GL encourages its social beneficiaries to grow premium-size strawberries which can be sold as fresh fruit at a better price. The growing of premium-sized fruit does not require substantial resources as the farmers can grow them in the same agriculture area. This example shows how GL makes an effort that does not excessively focus on business opportunities to jeopardise social objectives.

Centralisation is a technical control (providing guidelines on how to perform the tasks). The MC requested staff to provide feedback in a specific area (operational performance), at the same time, centralisation restricted the areas in which staff

members can work (strategic boundary). In the GL context, centralisation focused on the purchasing price scheme and planning which is not a day-to-day operation; therefore, the operational boundary objective does not apply for this MC. Centralisation in GL was used interactively and plays a constraining role to reduce options and increase the predictability of staff behaviour. Reward/punishment could occur; however, interview data does not reflect any reward/punishment. Table 7.3 summarises GL's MC by the conceptual framework. The specific MCs used to achieve the social objective are now described.

7.4.2 Achieving Social Objective

The social objective of GL is to increase their social beneficiaries' incomes. Social beneficiaries are important to GL not only because they are focal to the social objective, but also because they are suppliers of raw materials for GL products. Since GL is not keen to expand its social beneficiaries in other areas because of resource limitations, it opted to maintain the existing social beneficiaries.

From the interviews and field observation, it was found that GL provides a decision choice to the farmers, starting with making contracts. The farmers can make a decision annually whether they would like to continue to contract with GL, thus, the contract is a mutual agreement. Despite the contract made between GL and the farmers about annual commitments relating to the quantity and quality of agriculture products, GL does not perform rigid enforcement. The farmer can self-manage when they decide to sell the product to GL as long as it is within the agreed time-frame. Doing this helps the farmer to re-generate their income many times a year instead of monopolising all the product to GL. In case there is misbehaviour, GL will put the farmer on a blacklist, but imposes no monetary punishment (i.e., fee).

Another MC conducted by GL is information disclosure. R&A staff members, who are responsible for community connection, realised that he/she has to provide all of the related information about agricultural product purchasing to the farmers whether it is good/bad information so that each farmer can make an informed decision before signing the contract.

Also, the R&A staff performed continuous visits to all farmers. A R&A staff explained that he is in-charge of GL's 93 farmers and he visited them all every one or two months. The MCs for social beneficiaries' connection has other consequences, namely, the farmers' willingness and trust. Thus, GL can retain a good relationship with the farmers. A good relationship is useful when GL must negotiate with the farmer to accept a guaranteed price when the market price is higher than the guaranteed price.

All of the MC above are social controls, retaining social beneficiaries within an appropriate boundary (strategic boundary). They are used interactively to constrain social beneficiaries' behaviour. The reward is explicit as a monetary reward (income of beneficiaries); however, the punishment is intrinsic in which a blacklist (no rigid punishment) is applied without monetary punishment. The MCs also developed farmers' willingness and trust which strengthens the social beneficiaries' connection with GL. When the social beneficiaries are willing to be with GL as suppliers, it strengthens GL's business. Thus, the MC to achieve social objectives can achieve dual mission through the MC consequence, namely willingness and trust. The specific MCs used to achieve the business objective are now described.

7.4.3 Achieving Business Objective

For GL, self-financing is essential for its business. Even though GL has been widely known to its customers for many years, in 2016 GL's logo was modernised to extend to a broader group of customers (i.e., younger generation and working age customers). Then, GL started to publicise its story about social objectives on YouTube and Facebook to communicate to its customers that they are a social brand. The sales manager said:

"We did not previously include our story in our customer communication, but when we cannot grow in modern trade because of the price war, we refocused to our identity who we are (as a social business)." (Sales Manager)

Competing in the price war means GL must reduce retail prices to make itself more competitive. Doing so affects GL's seeing that the agricultural raw material purchasing price has to be reduced, and the beneficiaries will receive less income. Despite reducing

the retail price, GL opts to communicate to its customers by internet clips, broadcasting on YouTube and Facebook, describing why GL has higher and more different prices than its competitors. The reason for the higher price is because GL applied a fair price to the farmer rather than the agricultural product's market price. The price differences for each type of fruit is because GL does not use an average price for all fruits. GL's retail price reflects the actual cost of each fruit. GL's customers need to understand about how the prices are set which assists GL survives a price war.

The communicating to customers MC is a social control. Once GL's brand as a social business (dual mission) was communicated, it set GL's boundary (strategic boundary). The MC was used interactively to inspire customers to know what GL does (enabling role) and induced GL's reputation as a social business. Reputation as an MC is also a social control to limit the strategic boundary and is used interactively to reduce improper options (constraining role) for dual mission achievement. Whereas the reward/punishment for communicating to customers MC is not explicit, the reward/punishment of reputation is intrinsically a good/bad reputation.

Regarding the consequence of communicating to the customer, when GL engaged in publicising its story, GL's reputation is widely known. Such a reputation is essential to GL and the staff members are aware of that; hence, they will not engage in any activities to damage the GL's reputation. One incidence, reflected by the sales manager, showed the CEO's decision toward the reputation;

“We, once, arranged a press conference for our new product, called virgin Mary, in which we used our tomato product as a base juice to mix with other fruit juices. The press conference announced the date and detail of product grand opening. Unfortunately, after the press conference, a message on social media complained that the name of the product was inappropriate because it was related to a sensitive issue (religious). So the grand opening was cancelled a week before the event. It was a pity to cancel the event because of an anonymous message from social media, but the CEO said it is not worth the risk our reputation.” (Sales manager)

Besides an example from CEO, during interviews with other operational staff members, they are also concerned about reputation in different ways. In discussing her job description, a personnel department's staff member discussed GL's reputation;

“My job is to ensure that we are compliant with labour law. I do not want other people, blaming us (GL) why we (GL) treat our staff unfairly. If there is something incorrect, GL has to take the consequences. I have to be careful. I will look at every information I could, calling the related government agencies, search for information from the internet or asking experienced people to ensure the correctness of our labour at the factory.” (Personnel Manager)

Similar to staff members in the research/agricultural (R&A) department, R&A staff answered to a question of how he approached social beneficiaries to grow crops for GL. He said:

“When I contact the farmer, I have to be clear what type of crop, how to grow, how much of our guaranteed price, how we purchase from the farmers. If the information is not clear from the beginning, in case we have any problems during crop growing, it will destroy our reputation that we are not open with every information for the farmer. I am very much concerned about GL's reputation.” (R&A staff)

The operational staff members provided the statements above when they were asked about their job description, they also talked about GL's reputation. This shows that reputation concern infiltrated into their working life.

Cost control is also conducted, with the purpose to achieve the business objective. GL has a cost target, which it applies to its factory production. The production cost must be within the cost budget which is one of the factories and production managers' key performance indicators (KPIs). If the cost is over the budget, the managers must find solutions. From an interview with a production manager, it appears that the easiest way to meet this KPI is to reduce waste from production process. She carefully monitors the production process from input to output, such as how to cut the fruit with minimal waste. However, in some situations the high cost is from the purchasing price of raw material which cannot be easily reduced.

For GL, the company has a guaranteed price between the company and social beneficiary farmers. The purchasing price will not be lower than the guaranteed price but can be higher, depending on market price. In case the guaranteed price is higher than the market price, the COGS will be unnecessarily high, compared with what GL can purchase at a lower market price. Instead of breaking the guaranteed price, the factory manager proposes seeking approval from the CEO to bring down the cost average. The following is what she found;

“We have to commit with quantity and guarantee price with the farmers. If the market price is lower than the guaranteed price, we have to buy at a guaranteed price. I will then see how to reduce the cost and propose to the CEO. If we have some budget left, I may buy more agricultural raw material from external sources at the market price. I used the cost average to make the cost down, but we will have more of our stock.”
(Factory manager)

Overstocking could lead to a costing problem. However, the sales manager is aware of the potential problem. He strives to keep the stock at optimal level whenever he has the chance. He said:

“I know that the last three months of the year is my golden time. There will be many orders from business gift-set baskets. I will review our stock and try to make the overstock item into the basket as many as possible. I set additional promotions; I make sure we can deliver our products to franchising shops as fast as possible so the franchisee will have the products for their baskets at all times. Once the shops have many of our products, there is a high chance that they will put them into the basket.”
(Sales Manager)

The above statements from the factory and sales managers shows that they both seek appropriate solutions. In contrast, when the market price is higher than the guaranteed price, GL must purchase at the market price:

“When the market price is higher than the guaranteed price, we ideally have to buy at market price as long as it is within our ceiling price. But normally, the farmers agreed to sell us at the guaranteed price even though the market price is higher because our

guaranteed price is acceptable to the farmers. If the farmers want to sell to the market to other suppliers, they can, but they will have transportation costs. We are here in the front of their house. We, occasionally for a case by case, purchase the products over our ceiling to keep the community relationship, but I have to ask for the management's approval first." (Factory manager).

The above statement shows the factory manager's priority to retain a community relationship despite the higher purchasing price.

The overstocking and cooperation between the production and sales departments can also be shown. The production manager revealed an example;

"Last year, we have an overstock of plums. We purchased them from the Royal Project Foundation for our dehydrated plum product, that is the plan. The plums had some damage from a hail storm, and we could not use them for our original plan. But we wanted to help the farmers. I then asked the sales department if they can increase the sales plan for another product, using these damaged plum stock. We ended up with the sales department agreeing to sell more of plum squash, which was not in the original sales plan." (Production Manager)

The example of cost averaging shows attempts to lower the cost to meet the target, whereas the plum example above shows an intention to increase sales elsewhere to cover the additional costs. These reflections show the cooperation between the factory, production and sales departments to achieve social (purchasing at a guaranteed price) and business (reducing the COGS and dissolving overstocking) objectives. This comes from the factory/production and sales managers who have dual mission awareness and know how to resolve the problems without top management instruction.

Cost control is a technical control to set the strategic boundary and is used diagnostically when variance (i.e., difference in market and guarantee price) occurs. The MC also serves operational performance to provide feedback about costing. The MC plays an enabling role to encourage staff to be innovative (i.e., using cost average) to meet the cost target. The creativity from the staff comes from the understanding of GL's dual mission.

Apart from the MCs mentioned above, department KPIs are also key MCs. From the interviews with the CEO, managers and operational staff members, department KPIs are set annually. For example, the sales department's KPI was by sales target, R&A department's KPIs were the productivity from beneficiary farmers - both quantity against the annual plan (+/- 10%) and quality, concurring with Good Agricultural Practice (GAP). Even though KPIs were set for each department, KPI conflicts inevitably occurred during departmental operations. Many situations demonstrated conflicts. The sales manager exhibited that sometimes there is a conflict between the sales department's KPI (franchise sales department vs. retail sales department) in which he provided an example;

"I received a complaint from our franchisee that the local store can purchase the goods from the retail sales department at GL's head office at a lower price than purchasing from the franchisee." (Sales Manager)

Doing so decreases the sales of the franchisee and increases retail sales target, as a result, a conflict between sales targets occurred.

Another example can be drawn from the R&A department. The R&A department's KPIs were both the quantity and quality of beneficiary farmer's productivity. However, to generate more income to beneficiary farmers, R&A staff tended to focus more on the quantity because larger quantities increase farmers' incomes and help the R&A department achieve their department's KPI. However, the quality control KPI was a boundary to prevent compromising quality.

R&A staff said:

"I want the farmers to sell more product and increase their income. I also commit to the annual quantity, so I want to have many products in the factory, but the QC department has its role too in which they have to retain the quality. Sometimes the quality of the product includes a natural sweetness scale, measured by Brix. To meet the required Brix depends on the weather which we cannot control." (R&A staff)

The implication is that R&A staff would like the QC department to reduce the requirement so that they can meet the KPI about quantity of beneficiary farmer's productivity. However, the QC manager said:

"I cannot compromise on the quality. Our job is to inspect the product according to the requirement and send a report to higher authorities. The CEO will decide whether the requirement can be reduced or not. I understand that it is difficult to meet the Brix requirement when the weather does not permit, but it is the R&A department's responsibility to ensure the farmer has the agricultural knowledge on how to fix it." (QC manager)

The statements show that an accomplishment of one department KPI can sometimes be at the expense of another department. When the staff members in sales, QC and R&A were asked how they proceed with these KPI conflict situations, the sales manager said about the franchisee's complaint that:

"I personally do not mind wherever the customer purchases the goods even though my KPI may not be achieved because, in the end, GL got the money. But eventually, I discussed with the modern trade sales to settle the problems, and they agreed (not to provide the lower price with the customer in the franchisee area)." (Sales Manager)

Regarding strict quality control and disagreement between the R&A and QC departments it ended up with the QC department facilitating a Brix pre-test for a small amount of product at the farmer's field. The Brix pre-test allows the farmer to know whether they can sell to GL or not. If the Brix does not meet the requirement, the farmer can opt to sell to others rather than harvesting all the agricultural product and sending it to the GL factory and then having to take it all back because the Brix does not meet the requirement. Doing the pre-test saves the farmers' costs (i.e., transportation costs) and prevents the risk that the farmers may be forced to sell the product at a lower price, because the agricultural products will also rot in a protracted process and with lots of handling.

The above example exhibits how the departments' staff members make efforts to achieve the organisational goals even though each department's KPI is not met. Further,

the case between the R&A and QC department demonstrates how the KPI helps to meet both social and business objectives. The pre-test Brix at the field reduces farmers cost and risk (social objective), and at the same time it means that the produce can meet the quality required by GL's customers (business objective).

Moreover, when the CEO was asked how to proceed in case the KPI was not meet, he said that; *"we have to find out why"*. He did not mention any punishment even though the KPI is part of performance evaluation. The sales manager also commented that *"I think the KPI provides historical information so we can improve."* With these perspectives, the KPI can be seen as a way to improve rather than to punish.

KPI is a technical control, setting performance targets. The MC aimed to receive performance feedback (operational performance) and limit the task operation area (strategic boundary). In GL's case, KPIs were used interactively. When staff incorporated the KPI with dual mission awareness and with no rigid linking to reward/punishment, it played an enabling role to inspire staff cooperation, as well as a constraining role to reduce some options. The cooperation between departments because of the dual mission awareness enhance the MC for business objective to achieve dual mission. Table 7.3 exhibits a summary of GL's MCs by MC conceptual framework.

Table 7.3: A Summary of Golden Land’s MCs by MC Conceptual Framework

Case	Control Activities	1 st Level			2 nd Level					3 rd Level				SE Objective			Consequences	
		Type of control		Social	Strategic performance	Control Objectives			Use of control	Manager intention			Reward/Punishment	Social	Business	Dual Mission		
		Technical	Operational			Performance	Strategic Boundary	Operational Boundary		Diagnostic	Enabling	Role of control						Constraining
Ensuring co-existence of the pre-established dual mission																		
MC																		
	Belief system in dual mission	X			X				X								X	
	Staff related background	X			X			X									X	
	Lead by Example	X			X			X				X					X	
	Meeting	X			X			X				X					X	
	Physical Communication (Museum)	X			X			X				X					X	
	Centralisation of key decision				X			X				X					X	
MC Consequences																		
	Respect	X			X			X				X					X	
	Dual mission awareness	X			X			X			X						X	
	Trust	X			X			X				X					X	

Golden Land

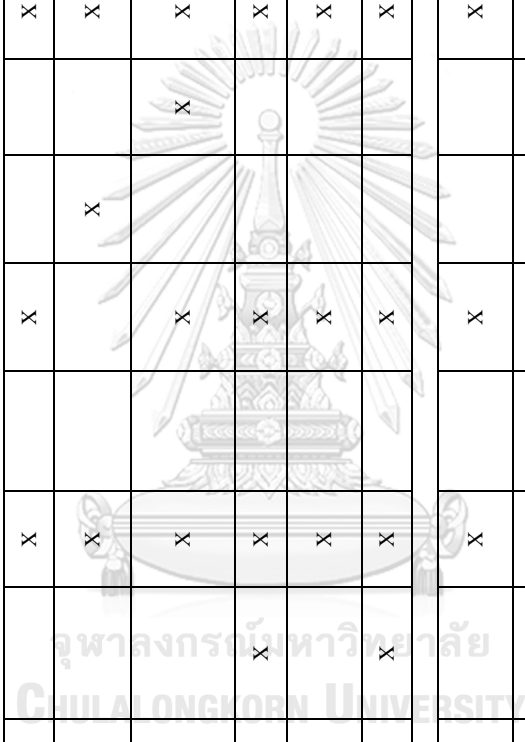


Table 7.3: A Summary of Golden Land's MCs by MC Conceptual Framework (Continue)

Case	Control Activities	1 st Level		2 nd Level				3 rd Level				SE Objective			Consequences				
		Type of control		Control Objectives				Use of control		Manager intention		Reward/Punishment	Social Business	Dual Mission					
		Social	Technical	Strategic performance	Operational performance	Strategic Boundary	Operational Boundary	Interactive	Diagnostic	Enabling	Constraining								
Golden Land	Achieving Social Objective																		
	MC																		
	Autonomous decision to farmers	X				X				X				X	Extrinsic reward (Income)	X			Farmer's willingness and trust
	Information disclosure	X				X			X				X	No rigid punishment	X				
	Continuous visiting	X				X			X				X						
	Achieving Business Objective																		
	MC																		
	Customer communication	X				X				X				X	N/A		X		Reputation
	Cost Control		X			X			X					X	Extrinsic (Profit/loss)		X		
	KPI		X			X			X					X	N/A		X		
MC Consequences																			
Reputation	X				X				X				X	Intrinsic (Good/Bad reputation)				X	

7.5 B-Read MC

B-Read case is a company, which is a generating unit of the Bamboo school. The school provides educational opportunities to rural children. B-Read operates as a small rice trader for its business. B-Read is different from other cases because it is an income-generating unit and does not perform social activities itself. Thus, no MC for achieving social objective is provided. The following sections provide MCs B-Read uses for ensuring co-existence of dual mission and achieving its business objective.

7.5.1 Ensuring Co-Existence of the Pre-established Dual Mission

As a separate unit, B-Read focuses more on business rather than society; however, the dual mission is still a primary consideration of the company. The core value of the company as a supporter of Bamboo school needs to be recognised among B-Read staff.

An emphasis on educational support in rural area is a MC to co-exist the dual mission. B-Read opted to explicitly emphasise its support to Bamboo school by naming the company to demonstrate the purpose of the social objective. The meaning of company name in Thai is a company to perform business for rural education and development. Furthermore, one of the purposes included in the company's registration document clearly indicates that B-Read will use benefits from its business in rural community development and therefore in the public interest. The B-Read Managing Director (MD) reflected that;

“Ten years ago, there was no social enterprise legal form, and the SE concept was not widely known. When we wanted to add a social purpose which to generate the income for rural community development and public interest into our company registration document, the related government agency did not allow us to do that because it was not a common business objective, which is to maximise shareholder profit. But we insisted we want to put this objective into the company registration and [it was] successfully registered. I think we are the first company having such an objective and I was proud of that because at least we demonstrated what we want to do for the society in our formal document.” (MD)

Not only does B-Read explicitly emphasise its goals through the company's formal documentation, but it also has an informal agreement among shareholders and it is known by management team/staff that the profit of the company will not be provided to the shareholders but will be used to reinvest in the company's operation and in supporting Bamboo school. In addition, B-Read made a stand that it will have some activities to involve the rural community in a certain way. Such a stand was shown when B-Read firstly selected to sell rice over other merchandise which could generate a higher profit margin because the parent of the student around the Bamboo school is farmer. Another example was shown when B-Read re-focused to sell rice again after pursuing profit from selling premium/souvenir goods even though the profit margin from selling premium/souvenir goods is higher than rice. B-Read's MD provided an explanation about rural community involvement, stating that it helped outsiders to easily connect B-Read to social objectives rather than perceiving B-Read as just a business unit.

“Selling premium/souvenirs does not show any relationship between our company and the social objective. We do not want outsiders to be confused with our identity. That is why we re-focused our business plan to be on rice as we used to.” (MD)

Once B-Read opted to emphasise social objectives to support Bamboo school, including retaining the connection with the rural community, their merchandise choice was limited to agricultural products (i.e., mostly rice). In addition, B-Read is a small trading company, making it more difficult to compete in the rice trading business which requires large resources (i.e., investment in rice mill/packaging/rice quality control). In the rice trading business, B-Read will not survive without a consideration about quality and cost control to sustain its business.

The emphasis of core value, including the name and registered objective, is a social control to set an appropriate boundary for opportunity seeking, called strategic boundary objective. The MC is used in a diagnostic way, having a constraining role in ensuring that B-Read's activities will not imperil its dual objective (generating profit to support the school). While the reward is not explicit, punishment can be linked to the

MC when B-Read breaks the rules and regulation of its registration with the government agency.

Another MC is staff recruitment, facilitating core value communication. B-Read is a small company with 5 staff members,³² which are the MD, General Manager (GM), two administrators and the accountant. To ease core value communication, all of the staff members have related backgrounds either with the Bamboo school, founder, or MD. Firstly, the MD is a son-in-law of the founder. The GM used to work with the MD for many years before joining B-Read. One administrator is a Bamboo school alumnus and another one worked for Victory Foundation and Bamboo school before joining B-Read. All of them learnt how B-Read was established by heart. Reflecting from interviews when they are asked about the background of B-Read, they told the same story without a formal document or formal staff orientation. MD reflected that his staff recruitment criteria focused on the person's passion for B-Read's social objective and he leaves the GM to check for the position expertise.

Staff recruitment is a social control, aiming to affect the staff feelings about the core value. When B-Read recruited its staff with a related background, it ensured that the core values will be carried out accurately and continuously. This MC serves as a strategic boundary control and is used diagnostically in a constraining role to achieve the dual mission. The reward/punishment is not explicit.

7.5.2 Achieving Business Objective

As a business unit, quality and cost control help B-Read to sustain its business to support the Bamboo school. Furthermore, B-Read desires to connect with the rural community by selling rice. According to the MD, rice trading is a low margin business. Quality and cost control also assist B-Read to survive in a low margin business. To be cost-effective, B-Read focuses its sales more on Business to Business (B2B) customers (i.e., hotel, restaurant and university cafeteria) rather than retail customers (i.e., supermarket in the department stores). Selling in retail stores increases selling and

³² Information is obtained from an interview with Managing Director as of 2018.

administration costs (i.e., entrance fees to sell in the department stores), compared to B2B. When focusing on B2B, B-Read must maintain customer relationships by ensuring product quality, because losing even one B2B customer endangers the business. However, engaging in a full quality control process by its own is costly. Therefore, B-Read chooses to rely on rice mills' quality control to save quality control costs. As mentioned in the earlier chapter, B-Read will not purchase rice from the individual farmers but from agricultural cooperative rice mills within the province where Bamboo School is located. B-Read's MD and GM carefully selected the rice mills with good rice quality control processes. Whereas the MD and GM periodically monitor the quality control process of the selected rice mills, the quality of rice to the customer is continuously detected by the administration staff as part of acquiring customer feedback. After-service feedback from the customer is therefore vital. The B-Read administrator (former staff of Victory Foundation and Bamboo school), who is responsible for contacting B2B customers and after services, realised this and without any instruction, she asks the customers about the rice quality whenever she has a chance. She can also replace any poor quality rice instantly (if any) and verbally reports any quality matters to the manager. The communications among staff members are mostly informal because of the size of the company. This is a way for B-Read to ensure rice quality and customer satisfaction with reasonable cost.

In addition to quality control, cost control, in particular expenses, is another matter concerning the MD. According to the MD, B-Read attempts to minimise selling and administration costs (i.e., cost of rice transportation, personnel cost or office rental space) so that most of the money can be used to purchase rice. Personnel and office rental have been minimised since the company started. Therefore, B-Read has only five staff members and shares its office space with the Victory Foundation.

Cost of rice transportation is also minimised. In previous years, the rice was purchased from a rice cooperative near Bamboo school located in the Northeastern part of Thailand. The cost of transportation was high and it was difficult to manage rice stock, delivery schedules and transportation. In latter years, B-Read changed to purchase from other rice mills near Bangkok where most of the customers are located to save costs.

Doing so can compromise B-Read's rural community involvement to focus on business sustainability, as shown in B-Read's dual mission perspective which is described in the case context. However, such compromise is not necessarily harmful to the dual mission because of the primary core value (to use the profit to support Bamboo school) is intact.

Quality and cost control are technical controls to provide feedback from B-Read's operations in a specific area; hence, it serves an operational performance objective. Quality control monitoring by the MD/manager was used diagnostically when the new rice mills were selected whereas the quality control monitoring by the administrator is used interactively when administrator staff members acquire customers' feedback. Cost control is used diagnostically. Both of the MCs play a constraining role to limit inappropriate options (i.e., quality and cost deviation). The reward/punishment can be extrinsic in the form of profit gain/loss. Table 7.4 summarises the B-Read' MCs.

Table 7.4: A Summary of B-Read MCs by MC Conceptual Framework

Case	Control Activities	1 st Level			2 nd Level					3 rd Level				SE Objective			Consequences			
		Type of control		Social	Control Objectives			Use of control		Manager intention		Reward/Punishment	Social	Business	Mission					
		Technical	Strategic performance		Operational performance	Operational Boundary	Strategic Boundary	Operational Boundary	Interactive	Diagnostic	Enabling					Constrain-ing				
Ensuring co-existence of the pre-established dual mission																				
MC																				
	Emphasis of Educational support	X					X					X				Extrinsic punishment (i.e., Fine)			X	
	Staff Recruitment	X					X					X				N/A			X	
Achieving Business Objective																				
MC																				
B-Read	Quality Control (By manager)		X							X						Extrinsic (Gain/Loss on profit)			X	
	Quality Control (By staff)		X						X							Extrinsic (Gain/Loss on profit)			X	
	Cost Control		X							X						Extrinsic (Gain/Loss on profit)			X	

7.6 Summary

The sections above provided MCs used by each selected case and categorised them into the MC conceptual framework. It can be found that each case chose MC to achieve the purpose of ensuring co-existence of the pre-established dual mission, achieving social and business objectives. Most of the MCs are social controls, fulfilling many control objectives, namely, strategic/operational performance and strategic/operation boundary. The MCs can be used both interactively and diagnostically in both enabling and constraining roles. Reward/punishment, obtained from the data, primarily focuses on intrinsic reward/punishment. Some of the MCs required further action, called consequential MCs or produce consequences which play a role in achieving the dual mission. Chapter 8 discusses the use of MCs, reflections from usiMC conceptual framework and attempting to explain why MCs are used. The case attributes, from Chapter 6, will also be included in the discussion in the next chapter, regarding the effect of the case attributes on the SE definition and MC conceptual framework.

CHAPTER 8 DISCUSSION

8.1 Introduction



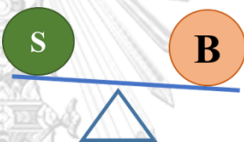

Chapters 6 and 7 exhibited the context and Management Control (MC), used by each case. Summarising from those chapters, the four cases have different attributes in terms of their organisational forms and emphasis on a dual mission perspective. Section 8.2 explains a relationship between organisational form and dual mission perspective. Also such attributes will be used to explain the appropriateness of the Social Enterprise (SE) definition and a meaning of SE mission drift in practice. The section will end with a question as to whether the selection of organisational form and multiple identities response approaches can prevent SE's tension. An answer to this question will be explained in section 8.3. In section 8.4, the relationship between the SE attributes and MC will be revealed, followed by a reflection on the use of the MC conceptual framework in section 8.5. The reflection leads to the extension of the framework to be used in the SE context in the last section, which provides a summary and suggestions based on the analysis. All of the sections incorporate the related literature in terms of how the analysis responds to prior literature. The analysis leads to the final chapter of the dissertation, which summarises the findings and limitations, and reflects on the implications for practice and theory of this research.

8.2 Cases' Attributes and Appropriateness of Social Enterprise (SE) Definition

Referring to the previous Chapters 6 and 7, a summary of the selected cases' attributes, namely, organisational form and the dual mission perspectives can be drawn as shown in Table 8.1 (columns 2 and 3). Besides, as described in Chapter 4 (MCS chapter), not only can MC be used to manage dual mission tensions and by comparing tensions to identity conflict in an organisation, but in addition, Pratt and Foreman (2000) suggested approaches to respond multiple identities within an organisation. They offered approaches, consisting of compartmentalisation (separating different identity), deletion (deleting one of the least important identities), integration (merging multiple identities to the new one) and aggregation (retaining multiple identities and finding the linkage between them). Whereas the deletion approach may not apply to social enterprise because both social and business objectives have to remain, compartmentalisation,

integration and aggregation are relevant and are identified for each case in the last column of Table 8.1 and discussed further in this section.

Table 8.1: A Summary of Selected Cases' Attributes

Cases	Organisation form	Dual Mission Perspective	Multiple Identities response approaches
Happy Tribe	Foundation		Aggregation
Green Trade	Cooperative		Integration
Golden Land	Company		Integration
B-Read	Company		Compartmentalisation

As shown in Table 8.1, the selected cases have diverse organisational forms, dual mission perspectives and specific multiple identities response approaches. The forms range from the foundation as in Happy Tribe (HT), cooperative for Green Trade (GT) and the company form for Golden Land (GL) and B-Read. The organisational form affects the dual mission perspective, multiple identities response approaches and the MC used in each case. Whereas the effect on the dual mission perspective and multiple identities response approaches is discussed next, the effect on MC will be discussed in Section 8.4.

A relationship between organisational form and dual mission perspective can be revealed, starting with HT. As noted, HT is a social enterprise, operating as part of the Bright Sky Foundation. The primary purpose of the foundation is related to their social

objective. The business objective was added to sustain its social activities. In addition, the foundation form, by law, does not allow the organisation to engage highly in business activities. As a result, the dual mission scale is more towards the social objective.

To recap, GT is a social enterprise, registered as a cooperative with social beneficiaries as cooperative members. The dual objectives emerge simultaneously, as increasing the income of GT will increase the income of the social beneficiaries. Therefore, the dual mission scale is likely to be balanced between social and business objectives. The cooperative form by law enhances the combination of social and business objectives in which a cooperative has an objective to elaborate on the social and economic benefits of its members by being a self-sustainable organisation.³³

Further, GL and B-Read are registered as companies. The company form tends to influence GL and B-Read to focus more on business rather than social objectives because the form aims typically to maximise shareholders' wealth. However, neither of them are exceedingly focused on business, as could be suggested by the form. Considering that GL was a part of the Royal Project Foundation before detaching itself as a company, GL operates as a social business. The dual mission scale slightly focuses more on business because GL allows market opportunities to lead the operation. However, the social objective to improve beneficiaries' incomes is also taken into account when GL pursues market opportunities. GL purchases agricultural products and prioritises its social beneficiaries. Increased sales by GL will concurrently increase the social beneficiaries' incomes. Nevertheless, B-Read is different from GL in that the dual mission scale focuses more on business because it is a separate unit, purposed to generate income to support the Bamboo School.

The differences in organisational form and dual mission perspective also lead to another observation about the appropriateness of the SE definition used. In this dissertation, the SE definition was developed using a continuum concept, suggested by Alter (2007) and

³³ Item no.4 in Cooperative Act, 1999

Schneider (2016), and the definition was finally based on (Schneider, 2016). Schneider (2016) provided a rationale for using a continuum approach over the dichotomous concept because the SE definition can change according to time and context. Using the dichotomous concept is rigid and is not practical, and the results of this dissertation confirm this approach.

Even though the selected cases are different in organisational form and dual mission perspective, they are all SEs as they are hybrid organisations, attempting to achieve both business and social objectives. However, the degree to which they emphasise social and business objectives diverges. HT focuses more on its social objective than other cases because it is a foundation in which the social objective is the primary objective. GT focuses equally on its social and business objective because it is enforceable by the cooperative legal form. GL slightly focuses more on business than social objectives whereas B-Read focuses most on business compared to the other cases because it is a separate income-generating unit. These cases cannot match specific criteria if the SE definition applies a dichotomous concept. Hence, the continuum approach is more practical. In addition, it could be argued that the SE dual mission does not have to be equally balanced. Therefore, mission drift in this sense is not to drift from a midpoint, but from the pre-established mission so that the dual mission perspective scale can remain as intended when the SE was founded.

Another discussion should be considered about whether of the selection of a particular organisational form and the multiple identities response approach selection can be called MC. Alluding to Chapter 4 (section 4.2 MC definition), Anthony (1965) suggested as the definition of strategic planning that it is a process, involved with a decision about organisation's objective. The decision is a planning process at management level. On the other hand, the MC definition in this dissertation is: any activities which aim to achieve organisational goals by providing feedback/information to managers and seeking to direct staff behaviour, including cooperative behaviour (See Chapter 4 for full MC definition). The implication from the MC definition is that the activities should involve staff across the organisation not merely at management level. Therefore, the choice of selection about organisational form and multiple identities

response approach can be called “strategic planning” rather than MC. The decision will be made by a certain group of people, for example, the CEO or founder prior to starting the operation. However, the strategic planning affects how MC operates. The objective of MC is to achieve the goals that strategic planning establishes. Following this discussion, a question is raised as to whether the choice of organisational form and multiple identities response approaches can entirely or partly prevent tension, or whether in practice there is no tension in SEs having dual missions. These choices are unlikely to resolve the tension because the process happens before the organisation begins operating. Therefore, it should be tension prevention. These questions will be discussed in the next section.

8.3 Tension of SE dual mission

The SE definition and its dual mission were discussed in Chapter 3, and many studies state that the SE’s dual mission can create tensions between the different goals. Applying from Pratt and Foreman (2000) framework, the tension is likely to emerge in SE more than other types of organisation because a SE has multiple identities which are all important (high plurality) and cannot be combined (low synergy) (See Chapter 3). In practice, evidence from dissertation’s case studies reveal that SEs have the tension between dual goals. The tension can be demonstrated at the organisational level and individual level. The choice of selection of an appropriate organisation form and multiple identities response approaches are the attempts to prevent tension at the organisational level, whereas the staff with different identities - either social or business - can be examples of individual level tension. Moreover, section 8.2 discussed whether the organisation form and multiple identities response approaches as “strategic planning” can entirely or partly prevent the tension. The following explanations provide the answer to the discussion.

An ideal organisation form which is anticipated to prevent the tension is the SE legal form. However, in Thailand and at the time the research was conducted, the SE legal form does not exist. The most SE-like form is the cooperative form, especially an agricultural cooperative in which the farmers are the cooperative’s members. An increase in the cooperative’s wealth will simultaneously increase farmers’ wealth.

An example can be drawn from GT when GT's founder foresaw a possible conflict between the dual goals. The GT founder revealed that he intended to establish GT as cooperative. He realised that focusing only on social objectives as a foundation cannot sustain, whereas focusing only on business objective as a company cannot be called "doing for society". Even though the organisational form is appropriate, evidences of tension can be observed from interviews with GT's founder and managers.

GT's tension arose when GT cannot retain the previous purchasing price because of agricultural market price fluctuations. For example, the coconut purchasing price was dropped to 6 THB/coconut (from 30 THB/coconut). The price drop upsets the farmers, whereas GT cannot increase the purchasing price because it affects GT's business sustainability. The example shows that GT faces the tension even though the appropriate organisation form facilitates the dual goal. Therefore, the selection of organisational form cannot entirely prevent but only mitigate the tension in SE.

Similar to organisational form, it is questioned whether the multiple identities response approaches can entirely prevent the tension. An ideal approach, which is anticipated to prevent the tension, is compartmentalisation where one objective will be separated from another. One of the research's case study, called B-Read, used the compartmentalisation approach to establish B-Read as a separated income-generating company for Bamboo school. Therefore, the business objective is separate from social objective of Bamboo school. However, as suggested by Pratt and Foreman (2000) for applying compartmentalisation, there should be some linkage between B-Read and Bamboo school, otherwise an understanding of true objective to provide wider education opportunities will disappear from B-Read. Tensions arose when B-Read can make a good profit from selling premium/souvenirs but this activity is irrelevant to Bamboo school. B-Read's CEO was concerned that the activity could eventually lead B-Read to focus more on profit rather than society, even though there is no legal force to limit them doing so, and the important linkage between B-Read and Bamboo school would disappear. Therefore, he discontinued the activity.

It can be concluded from aforementioned examples that even the proper organisational form and multiple identities response approaches can only facilitate the prevention of SE tension. The residual tension could be resolved by what this dissertation called MC, which is shortly explained. Further explanation will reveal how the SE can resolve the tension if the organisational form does not facilitate the SE dual goals so that tension occurs.

Referring to GT about the coconut price decreasing, in the later years, the tension was resolved by conducting proper planning, including production and cost planning. The process of planning involves a variety of staff, for example, founder, cooperative manager, agricultural field staff who work closely with the farmers. The planning helps GT to estimate market demand and coconut production quantity, therefore the purchasing price was properly calculated. An appropriate purchasing price which was close to the actual market price lessened the tensions as it keeps farmers satisfied and sustains the business operation. For B-Read, after the decision to discontinue the sales of premium/souvenirs, rice is still the B-Read's primary product. Despite the fact that rice is a low-margin product for a small rice trading company, the CEO chose to keep it to sustain the business and retain the linkage between the B-Read and Bamboo School. The activities, through which the CEO ensures the business sustainability with a low-margin product, relies on cost control because the sales cannot grow further. Cost control involves all staff of B-Read. For example, administration staff member has to plan a rice delivery route to customers, the manager finds a qualified rice mill with the least cost of quality control charged to B-Read and the CEO monitors the cost on a timely basis for further decisions. The planning activities from GT as well as cost control from B-Read are MC by the definition and help to lessen the residual tension of dual goals.

Drawing from this evidence, SEs have tension even though the organisational form and multiple identities response approaches are appropriate. The residual tension is resolved by MC, used in the case studies. Another discussion is about when the organisation form and multiple identities response approaches do not facilitate the dual goals, leading to tension occurring, and how SEs resolve the tension. From the case studies,

there are one foundation and two company forms which do not facilitate SE dual goals in terms that the forms focus either on social (foundation) or business (company). HT is a foundation form whereas GL and B-Read are in company form. B-Read was discussed earlier, therefore the following will discuss on HT and GL.

From an interview with HT's CEO, he indicates that "Social Enterprise is a happy coincidence" whereas GL's CEO refers to GL stating: "We are a social business". It seems that there is possibly no tension occurring between dual goals. However, in the operational levels the tension can be observed when managers/operational staff were interviewed and meetings observed. Most of the cases, except B-Read, seek to increase agrarian income for their social objective. They purchase agriculture products from the farmers. The tension happens when the farmers wish for a higher price than the SE offering price. In contrast, the SE may prefer to purchase at the lower price to retain business competitiveness. During the cases' interviews, the tension is not explicitly mentioned instead the staff attempted to explain how they automatically resolve the tension without a realisation of the tension occurrence. Two of GL's staff's (Research and Agriculture (R&A) and Factory manager) interviews can be drawn on as examples.

The R&A manager is in charge of the agricultural products purchasing price calculation. He calculates an optimal purchasing price which can maintain the business competitiveness (business objective) as well as satisfy the farmers (social objective). He uses available data (i.e. weather forecast and historical agricultural market price) for agriculture production and market price estimation. The farmer's cost of living in each farming area is also within the R&A manager's consideration. He adds a certain percentage on top of the estimation to ensure that the purchasing price concurs with the standard cost of living of the farmers.

Similar to the R&A manager, the Factory manager purchases agriculture products at the guaranteed price even though the price is higher than the market price, leading to a high cost of goods sold (COGS). She seeks another way to average the COGS down. The high COGS from the additional percentage and guarantee priced purchasing made GL's retail price to be higher than its competitors. Therefore, the Sales manager and

communication staff work further. The Sales manager facilitates outgoing sales and communication staff facilitate customers' understanding as to why the retail price is higher.

All of the above activities are simultaneously conducted throughout the operation, aiming to manage the tension of dual goals. The MC which the CEO used to ensure that his staff will automatically manage all of the tension, is the belief system and it works in the case of GL.

At the individual level, examples can be drawn from HT. HT has both social and business staff who have different identities due to their different backgrounds. Similar to GL, HT's CEO used the belief system as well as meetings to encourage mutual support between the social and business staff. For example, tension occurs when there are misshaped macadamias from the labour intensive factory. HT cannot sell misshaped macadamias and it exaggerates HT's cost of production. A business solution could be to replace high cost labour with a machine. The solution is not acceptable because most of the labourers are HT's social beneficiary. The business people, instead of replacing the labour workforce with a machine as suggested by business experiences, innovated new products from the misshaped macadamia (i.e. cookie and butter). From the interviews with managers who are in charge of business activities, they understand the concept of social enterprise and position themselves as social entrepreneurs instead of business entrepreneurs. The understanding is from the "happy coincidence" belief system, executed and communicated by CEO.

In contrast, the social staff tend to focus more on social goals and intend to provide the best social services to the social beneficiaries. However, most of them (i.e. Community manager, Living University, Environmental and Montessori education provider staff) are aware of the need for cost effectiveness when they propose social projects to the CEO. They explained that this realisation is from both the belief system and cross-functional meetings between business and social departments.

All of the above explanations reveal that the SE faced tensions between the dual goals at the organisational and individual level. The appropriate organisational form and multiple identities response approaches can facilitate preventing the tension, and the MC (i.e. planning, cost control and belief system) helps to resolve the residual tension. However, when neither the organisational form nor the multiple identities response approach is inappropriate, the MC will be used to resolve the tension emerging from dual mission. The belief system of “happy coincidence” and “social business” work well in the case of HT and GL. However, these two case studies are well-established for more than 20 years and the belief system has developed since they started. Therefore, the MC, belief system in particular, is not an immediate way but rather the MC is gradually developed to be helpful for resolving the tension. In addition, the belief system works well in HT and GL, due to the Thai culture. As mentioned in Chapter 2 about social classes in Thailand, the king is the highest class in all eras regardless of whether he holds absolute power or not. The king is well-respected by the Thai people. The CEO of HT and GL are one of (HT) or related to (GL) a royal family member. Their social status helps them to exercise the belief system.

In summary, the dual goal tension occurs theoretically and practically in SE. The tension can be partly prevented by the appropriate organisational form and multiple identities response approaches. The MC can resolve the residual tension, as well as the tension from an inappropriate organisational form and multiple identities response approach. The next section will discuss the relationship of cases’ attributes, including organisational form, dual mission perspective and multiple identities response approaches and the use of MC.

8.4 Cases’ Attributes and Management Control

Section 8.2 introduced the cases’ attributes, and the appropriateness of using the continuum concept to define SE. The section also argued that the cases’ attributes, called organisational form and multiple identities response approaches should be called “strategic planning” and the strategic planning affects how MC operates. In this section, the relationship between the attributes (organisational form and multiple identities

response approaches) and Management Control (MC) will be described. The analysis aims to explain how these attributes affect the cases' use of MC.

Table 8.2 provides a summary of each case's attributes, namely, organisational form, dual mission scales and multiple identities response approaches and the purpose of MC, its activities and consequences. The effect of these attributes to the MC will be explained after the table.



Table 8.2: A Summary of Cases' Attributes and MC





Case name	Happy Tribe	Green Trade (GT)	Golden Land (GL)	B-Read
Organisation form	Foundation	Cooperative	Company	Company
Dual mission Perspective				
Multiple Identities Response Approaches	Aggregation	Integration	Integration	Compartmentalisation
Purpose of MC	Ensuring Co-Existence of Pre-Established of Dual Mission			
MC Activities	Belief system towards the dual mission	N/A	Belief system towards the dual mission	The emphasis on educational support
	CEO Successor		Staff-related background	Staff recruitment
	Question asking/answering		N/A	N/A
	Combined-team Meeting		Meeting	
	Flat organisation		Centralisation of key decision	
	Lead by example		Lead by example	
	Physical communication (Museum)		Physical communication (Museum)	
	N/A		Organisation Structure Voluntary engagement in accreditation	
MC Consequences	Dual mission awareness	N/A	Dual mission awareness	N/A
	Respect		Respect	
	Reputation		N/A	
	N/A		Trust	
Purpose of MC	Achieving Social Objective			
MC Activities	Data Collection/Analysis (In early stage)	N/A	N/A	N/A
	Data Collection/Analysis (In the later stage)			
	Local Recruitment/Absorption	Member recruitment	N/A	N/A
	N/A	N/A	The autonomous decision to farmers Information Disclosure Continuous visiting	N/A
Consequential MC	Community Committee/participation	N/A	N/A	N/A
	Knowledge Management	N/A	N/A	N/A

Table 8.2: A Summary of Cases' Attributes and MC (Continue)

Case name	Happy Tribe	Green Trade (GT)	Golden Land (GL)	B-Read
Purpose of MC	Achieving Business Objective			
MC Activities	The belief system in quality of goods/services	N/A	N/A	N/A
	Project Planning (at initiation stage)	Planning		
	Autonomous Decision with Management support (at project on-going stage)	N/A		
	Profit centres			
	Cost Control	Cost Control	Cost control	Cost control
	N/A	Price negotiation	N/A	N/A
		Quality control (PGS)		Quality control (by the manager and staff)
		N/A	N/A	Customer communication
		KPI		
MC consequences	Trust	Trust		
	Sense of ownership	N/A	N/A	N/A
	Sense of social entrepreneurship (Entrepreneurship + dual mission awareness)			
	Cost awareness			
N/A		Reputation		

Starting with the purpose of ensuring co-existence of the pre-established dual mission, the multiple identities response approaches have a relationship with the MC in terms that the approaches affect how MC works. As noted, the cases applied different multiple identities response approaches. In Chapter 3 of this dissertation, Pratt and Foreman (2000)'s propositions were used to explain the tension between the dual objectives of SE. They state that SE has a higher tension between dual objectives, compared to other forms of the organisation because social and business objectives are all important (high plurality). Also, these two objectives are incompatible (low diffusion) but are highly interdependent. Thus, the objectives cannot be synergised (low synergy) – See Table 3.3 in Chapter 3. However, the selected cases in this dissertation revealed that the dual objective of SE could be synergised in a particular way, using MC, especially when aggregation and integration approaches are applied.

From Table 8.2, the belief system and its communication are used by HT. Since HT was established as a foundation, the social objective was the primary objective rather than the business objective. Both objectives are essential and remain within the organisation. Pratt and Foreman (2000) proposed an aggregation approach by which the dual objectives can be retained and linked. In the case of HT, it applied the aggregation approach and created the belief system in the dual mission to act as a linkage between both objectives. Once the belief system was established, it must be communicated to targeted audiences, namely the SE's staff members, customers or outsiders to strengthen the process of aggregation.

By comparison, GL and GT use the integration approach. The integration seeks to merge multiple identities and create a new identity. GL was founded as a company and made efforts to combine the social and business objective and call themselves a social business. Dual mission belief was established to synchronise both objectives smoothly. Similar to HT, when a belief system was created, it was communicated intensively internally, as well as outside the organisation for both cases (i.e., to staff and customer/outside). The synergy was gradually developed over many years since GL detached from the Royal Project Foundation. GT, in contrast, opted to use its organisational form as a cooperative and external accreditation engagement to facilitate the merging of the objectives.

B-Read used compartmentalisation to respond to multiple objectives, purposing to separate social and business objective into different organisations. However, as suggested by Pratt and Foreman (2000), compartmentalisation cannot entirely eliminate the conflict because the approach does not encourage staff's understanding of how the objective can work together. In the B-Read case, although it uses compartmentalisation, B-Read also enhances the staff understanding of another objective by using MC, called emphasis on educational support and staff-related background recruitment. B-Read opts to elaborate the business objective but retains the social objective within the company. Doing this concurs with Pratt and Foreman's (2000) suggestion that the compartmentalisation approach is a continuum concept. The continuum concept of the approach ranges from pure compartmentalisation (separating completely) to

subordination (elaborating dominated identity and retaining subordinated identity within the organisation). The subordination approach complements internal cooperation between the objectives, which B-Read chose to adopt.

As described above, synergising the dual mission by using MC means the MC not only has a role in managing the tension, but also protects the dual mission from the time its established.

To achieve the social objective, most MCs are related to a community connection. B-Read is the only case which separates the social objective to be conducted by Bamboo School, a separate entity. Thus, B-Read has no direct involvement with the community, while HT explicitly performed many MCs for to ensure its close involvement with the community. As explained earlier, the primary objective of HT, as a foundation, is social. HT must pursue the social objective by continuously performing social development activities. HT, GT and GL selected to combine or retain social objectives within their organisation. They performed MCs for community connection to ensure direct involvement with the community. These cases tended to increase their knowledge about their social beneficiaries (i.e., data collection, continuous visiting) and allowed the community to participate or have the freedom to make decisions (i.e., community committee, negotiation, autonomous decision). The MCs used by these cases aim to gain trust, familiarity, understanding of SE's activities (i.e., business activity) and the community's willingness and eventually lead to enhanced community connection to achieve the social objective.

For income-generation or business purpose, although HT is primarily focused on social objectives, it seeks to generate income from its social work. HT has a variety of ways to generate income, including its consultancy business (i.e., social model replication), trading, manufacturing and services (i.e., food/handicraft/horticulture/tourism). Table 8.2 shows that HT used a number of MCs to achieve the business objective. The belief system in the quality of goods/services is established because HT's founder and CEO wants to change the existing staff's perspective when undertaking business operations. The existing staff members who have been working for the SE since HT was founded

(as a foundation) may be accustomed to a charity-like operation. However, a charity-like perspective may not sustain HT's business if HT fails to compete in the market. Therefore, the quality belief system was established to counterbalance the existing staff perspective.

For the other three cases, GT, GL and B-Read, the organisational form accommodated a profit-seeking purpose. GT used planning, price negotiation and quality control (PGS). GL also used customer communication and KPIs while B-Read used quality control by manager and staff. In addition, all of them used cost control to achieve the business objective. MCs on quality control and cost control are salient. Quality control is emphasised because the cases want to be competitive in the market. Cost control is vital because the business expansion is challenging. GT depends on organic rice productivity from its farmer members. GL prioritises purchasing agricultural raw material from social beneficiaries. If the social beneficiaries, including farmer members, are not willing to increase their capacity, GT and GL cannot expand the market. Hence, the revenue cannot be increased by GT and GL solely, but from the consent of the community. For B-Read, it has difficulty increasing its revenue because of resource limitations.

Conclusively, the attributes of the selected cases influence the MC activities. Different organisational form, dual mission perspective and the selected alternative approaches mean the selected cases select different MC activities.

8.5 A Reflection of the Use of the Management Control Framework

Section 8.4 expressed the relationship between SE attributes and MC whereas in this section, a reflection about the use of the MC, based on the conceptual framework will be revealed. This dissertation applied the Tessier and Otley (2012) MC framework as a conceptual framework. The framework is a revised version of Simons' Levers of Control (Simons, 1995). The revised version framework is divided into three framework levels of (1) type of control (social vs technical), (2) four objectives of control (strategic/operational performance, strategic/operational boundary) and (3) managerial intention (use of control between interactive vs diagnostic, role of control

of enabling vs constraining and reward/punishment). Even though the framework clearly explains both the definition of each element at each level and the reasons behind the revision of the original framework, the use of the framework in practice is challenging. The reflection of the use of the framework and its implications are now described by level, according to the MC framework.

8.5.1 Framework Level 1: Type of Control

The first framework level is the type of control, consisting of social and technical control. Whereas social control includes controls to influence feelings/non-rational/emotions, core values, norms and beliefs, technical control aims to specify how tasks should be performed, i.e. the type of control which provides rules, procedures or standards to follow (Tessier & Otley, 2012). The definition of social and technical controls is clear, and the MC obtained from the cases can be separated into each type of control. Table 8.3 shows the type of control used by the selected cases.

Table 8.3: Selected Cases' Type of Control

Type of Control MCs	Social Control				Technical Control			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<i>Ensuring co-existence of the pre-established dual mission</i>								
Belief system towards the dual mission	✓		✓					
Centralisation of key decision							✓	
CEO Successor	✓							
Combined-team meeting	✓							
Dual mission awareness	✓		✓					
Flat organisation	✓							
Lead by example	✓		✓					
Meeting			✓					
Organisation Structure						✓		
Physical Communication (Museum)	✓		✓					
Questions asking/answering (project initiation)	✓							
Reputation	✓	✓						
Respect	✓		✓					
Staff Recruitment				✓				
Staff-related background			✓					
The emphasis on educational support				✓				
Trust			✓					
Voluntary engagement in accreditation						✓		
<i>Achieving Social Objective</i>								
Community committee/participation	✓							
Continuous visiting			✓					
Data collection/ Analysis (at early and later stage)					✓			
Information Disclosure			✓					
Knowledge Management					✓			
Local Recruitment/absorption	✓							
Member recruitment		✓						
The autonomous decision to farmers			✓					

Table 8.3: Selected Cases' Type of Control (Continue)

Type of Control MCs	Social Control				Technical Control			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<i>Achieving Business Objective</i>								
Autonomous decision with management support	✓							
Cost awareness	✓							
Cost Control					✓	✓	✓	✓
Customer communication			✓					
KPI							✓	
Planning						✓		
Price negotiation		✓						
Profit centre					✓			
Project planning					✓			
Quality control								✓
Quality control (PGS)		✓						
Reputation			✓					
Sense of entrepreneurship	✓							
Sense of ownership	✓							
The belief system in quality of goods/services	✓							
Trust	✓	✓						

From Table 8.3, it can be concluded that all the selected cases use a combination of social and technical control. HT, GL and B-Read used social control to ensure the co-existence of the dual mission. To co-exist, conflicts (if any) between the mission must be managed. However, the conflicts between the mission cannot entirely be predicted. The organisation cannot really prepare for details or instructions in advance on how to respond to the conflict. Therefore, social control to alert the staff about the potential dual mission conflicts will be helpful. Once the staff members get into the awareness, they can create solutions to respond to the mission conflict without management instruction, accomplishing co-existence of the dual mission. In another way, dual mission awareness can motivate the staff to be creative for new social or business opportunities.

GT used the appropriate organisational form and multiple identities response approach to facilitate preventing tensions. An example was provided in Chapter 6 when GT had

to establish new organisational forms (i.e., Planet Foundation and GTSE) to respond to new opportunities (i.e., receiving donations and pursuing the organic coffee market opportunity). The establishment of new organisations were an attempt to use the compartmentalisation approach. The selection of an appropriate organisational form and multiple identities response are considered as technical controls in terms that they aim to specify how tasks should be performed.

To achieve the social objective, the cases also used social controls to involve the community. Social control plays its role to encourage the community to behave in a way these SEs desire. However, the community cannot be fully controlled and the SE cannot completely ensure that the community will always behave as the SE requires. B-Read, in contrast, has no social objective because the Bamboo School operates the objective.

For the business objective, the cases used technical controls, namely profit centre, planning, cost control and quality control. However, social control still has a role in the business objective. The SEs with high involvement with the community (HT, GL and GT) also used social control because the community plays an essential part in their business operation because the community produces products and social control is more effective than technical control when the operation involves the community.

In summary, the use of the MC framework for the first level provided a clear distinction between social and technical control. MCs used could be arranged into each type of control. Social controls outweigh technical controls for all three objectives of MC (Ensuring co-existence of the pre-established dual mission, achieving social and business objectives).

8.5.2 Framework Level 2: Objective of Control

The second framework level is about objectives of control. There are two objectives (i.e., performance and boundary) in two organisation levels (i.e., strategic and operational level) (Tessier & Otley, 2012). Therefore, four objectives of controls appear, consisting of strategic performance, operational performance, strategic

boundary and operational boundary. Referring to Simons' (1995) Lever of Control (LOC), the literature did not separate the organisational level of control but divided the boundary system into a strategic boundary and business conduct. In the revised version of LOC, proposed by Tessier and Otley (2012), the framework used instead the terms strategic boundary and operational boundary. To be consistent, Tessier and Otley's (2012) revised version of LOC proposed that the organisational level of the control should apply to another control objective, called performance objective. Therefore, the revised version has two objectives and two organisational levels. Those objectives and organisational levels are performance and boundary objectives and the strategic and operational levels (Tessier & Otley, 2012).

The strategic boundary focuses on limiting improper opportunity persuasion whereas the operational boundary involves day-to-day behaviour limitation such as rules, regulations and standards (Tessier & Otley, 2012). Strategic performance controls examine and ensure that the strategies are on track to achieve the goals while operational performance controls acquire specific performance variables to ensure that the strategies are implemented/appropriately performed (Tessier & Otley, 2012). When the strategies are not on track, the management team must investigate whether the strategies' implementations are adequately performed, or the strategies need to be revised (Tessier & Otley, 2012). Table 8.4 shows the result of MC from the selected cases, categorised into four control objectives.

Table 8.4: MCs in Control Objectives (Continue)

Objective of Control Organisation Level of Control / MCs	Performance				Boundary			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<i>Achieving Business Objective</i>								
Autonomous decision with management support*	✓				✓			
Cost awareness					✓			
Cost Control*					✓	✓	✓	
Customer communication KPI*							✓	
Planning*						✓		
Price Negotiation		✓						
Project Planning (at initiation stage) *	✓				✓			
Quality Control (PGS)						✓		
Reputation							✓	
Sense of ownership					✓			
Sense of social entrepreneurship					✓			
The belief system in quality of goods/services					✓			
Trust					✓	✓		
<u>Operational Level</u>								
<i>Ensuring co-existence of the pre-established dual mission</i>								
Centralisation of key decision*			✓					
Flat organisation	✓							
Meeting*			✓					
<i>Achieving Social Objective</i>								
Community committee/participation*	✓							
Data Collection/Analysis (In the later year) *	✓							
Knowledge Management	✓							
Local Recruitment/Absorption*	✓							
<i>Achieving Business Objective</i>								
Cost Control				✓				
Cost Control*	✓	✓	✓					
KPI*			✓					
Planning*		✓						
Profit centres	✓							
Quality Control				✓				

* The control with two objectives

From Table 8.4, in general, the selected cases use MCs to attain boundary objectives. Also, one MC can serve more than one objective (shown in asterisk); for example, cost control in GT served to set the cost boundary (strategic boundary), as well as provide feedback in a specific area (operational performance). Furthermore, one control can serve different objectives over time. For instance, in phase one of HT's operation, data collection/analysis was performed initially to learn about the community, so that an appropriate social scheme could be provided. At the early stage, data collection/analysis fulfilled strategic performance goals to verify whether the social scheme was appropriate. More recently, data collection/analysis is continuously performed to obtain feedback from the community about the social scheme provided. At this stage, data collection/analysis is undertaken to know more about performance in a specific area. Therefore, the MC was classified into an operational performance objective. However, when attempting to separate the MC into strategic and operational performance, blurring occurred. Using the same example of HT, when the feedback is known from data collection/analysis, HT's managers instantly investigate the appropriateness of the strategies. Consequently, the MC also simultaneously serves strategic performance as well as operational performance objectives. This example shows how strategic and operational performance objectives are interrelated in the SE context, and it is difficult to consider these objectives' organisational levels separately.

The interrelation of strategic and operational performance can be explained by the uncertain environment SEs operate in. SEs engage with many stakeholders and social problems. Different stakeholders (i.e., social beneficiaries) have different needs, and social problems are complex, due to many social factors, leading to uncertainty or an unpredictable environment. The feedback from a SE's operation cannot be used simply at regular intervals (i.e., monthly) or from one-way communication (i.e., paper report) but must be perpetually obtained during on-going operations. An examination of the strategies' appropriateness and feedback from the strategies' performance are interrelated. Hence, feedback receiving (operational performance) and strategy examination (strategic performance) is simultaneously ongoing in every practice of SEs' operations. Besides, a way in which the selected SEs obtained feedback is by two-way communication between the staff, management team and social beneficiaries.

Therefore, feedback and strategies' examination can occur concurrently. Hence, attempts to categorise MCs into distinct separate organisation levels is difficult.

Furthermore, from Table 8.4, most of the MCs from the selected cases aim to achieve the boundary objective; in particular, the strategic boundary significantly outweighs the operational boundary. To ensure the co-existence of the dual mission, MC must be applied to restrain staff behaviour not to excessively emphasise either one of the purposes (society vs business) so that the pre-established dual mission alters. Improper activities that are deemed harmful to the dual mission are forbidden. However, the SE context is uncertain and it is difficult to draw a specific guideline on the day-to-day operations to limit behaviour. Therefore, MCs are used to serve the strategic boundary rather than the operational boundary. In summary, the uncertain context of SE makes the control level blur and the co-existence of dual mission leads the control objective's purpose being to serve the boundary objective.

8.5.3 Framework Level 3: Managerial Intention

The third framework level is the managerial intention, consisting of the use of control (interactive vs diagnostic), the role of control (enabling vs constraining) and reward/punishment (Tessier & Otley, 2012). Each of the managerial intention components will be explained with regards the cases in this dissertation.

8.5.3.1 The Use of Control (Interactive vs Diagnostic)

The use of control comprises interactive and diagnostic use. Interactive use is to promote communication (i.e., face-to-face communication), between the manager and the staff and induce learning and discussion, while diagnostic use is to detect when variances occur or to receive feedback from performed activities (Tessier & Otley, 2012). From the previous Chapter 7, a conclusion can be made that interactive use dominated over diagnostic use of MC. In addition, with an effort to classify the use of control into interactive and diagnostic use, a hesitation arises that the diagnostic use is not purely diagnostic but is deemed diagnostic because it is used less interactively than controls that are termed interactive. Pure diagnostic use is not practical in SE because

SE cannot wait until the variances or harmful consequences occur. The MC should be used interactively in different degrees (more interactive and less interactive).

An explanation of using interactive over diagnostic and the hesitation can be related to the type of control and the SE context. Table 8.5 also shows the two by two columns for the type and the use of control for the selected cases.

Table 8.5: The Type and the Use of Control

Use of Control Type of Control / MCs	Interactive				Diagnostic			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<u>Social Control</u>								
<i>Ensuring co-existence of the pre-established dual mission</i>								
Belief system towards the dual mission	✓		✓					
CEO Successor	✓							
Combined-team meeting	✓							
Dual mission awareness	✓		✓					
Emphasis on educational support								✓
Flat organisation	✓							
Lead by example	✓		✓					
Meeting			✓					
Physical Communication (Museum)	✓		✓					
Questions asking/answering (project initiation)	✓							
Reputation	✓	✓						
Respect	✓		✓					
Staff-related background							✓	
Staff recruitment								✓
Trust			✓					
<i>Achieving Social Objective</i>								
Community committee/Participation	✓							
Continuous visiting			✓					
Information disclosure			✓					
Local Recruitment/Absorption (In early state)	✓							
Member recruitment						✓		
The autonomous decision to farmers			✓					

Table 8.5: The Type and the Use of Control (Continue)

Use of Control Type of Control / MCs	Interactive				Diagnostic			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<i>Achieving Business Objective</i>								
Autonomous decision with management support	✓							
Cost Awareness	✓							
Customer communication			✓					
Price negotiation		✓						
Quality Control		✓						
Reputation			✓					
Sense of ownership	✓							
Sense of social entrepreneurship	✓							
The belief system in quality of goods/services	✓							
Trust	✓	✓						
<u>Technical Control</u>								
<i>Ensuring co-existence of the pre-established dual mission</i>								
Centralisation of key decision			✓					
Organisation Structure						✓		
Voluntary engagement in accreditation						✓		
<i>Achieving Social Objective</i>								
Data Collection/Analysis (In early stage)	✓							
Data Collection/Analysis (In the later year)					✓			
Knowledge Management	✓							
<i>Achieving Business Objective</i>								
Cost Control	✓					✓	✓	✓
KPI			✓					
Planning						✓		
Profit centres					✓			
Project Planning	✓							
Quality control (by staff)				✓				
Quality control (by the manager)								✓

From Table 8.5, it can be seen that social controls tended to be used interactively. An explanation can be provided firstly that social control aims to affect the feelings/non-rational part of people through socialisation with either staff or community (Tessier & Otley, 2012). If social control is not used interactively, it will easily disconnect from

these key stakeholders. Secondly, social control does not provide a specific guideline on how to perform the tasks. Hence, the managers must inspect the progress of the activities regularly. Inspection cannot be delayed until variances occur (and are complained about), otherwise the activities may fail to achieve an activity's goal. The table shows that social control is rarely used in a diagnostic way (social control/diagnostic use quadrant). The social controls are used diagnostically because they are performed at once when they are needed. For example, the member and staff recruitment and staff-related background are used in the initial process of recruitment. Likewise, the emphasis on the educational support of B-Read was used when the company was established and insisted on including a social focus in its registration objective.

In contrast to social control, technical control provides specific guidelines about how the tasks should be performed; therefore, the staff members know how to complete their assignments. Consequently, there is no need for the manager to examine the performance instantly but only when variances occur. Hence, technical controls can be used diagnostically. Drawing from the explanation, in the selected cases, the use of control is related to the type of control, particularly that social control will be used interactively while technical control will be used diagnostically.

Another observation is about the use of MC in the SE context, namely, community involvement and dual mission co-existence. The context induces an uncertain outcome; the activities must be examined consistently. Therefore, the interactive use of control is preferred. Even though the MC is used diagnostically, it is not purely a diagnostic use because SEs cannot wait until variances occur. It should be less interactive as opposed to being purely diagnostic. Also, similar to the objective of control in the previous section, one control can be used both interactively and diagnostically over time. For example, data collection/analysis, when the MC was applied at an early stage, was used intensively through face-to-face communication in order to know more about the community, so it can be called interactive use. In the later years, the data collection/analysis is still used but is less intensive, compared to the early stage. The data collection/analysis is used periodically to update the database information, so it is diagnostic use.

Table 8.6: MC and the Role of Control (Continue)

Role of Control The Use of Control / MCs	Interactive				Diagnostic			
	Happy Tribe	Green Trade	Golden Land	B-Read	Happy Tribe	Green Trade	Golden Land	B-Read
<i>Achieving Business Objective</i>								
Autonomous decision with management support	✓							
Cost awareness *	✓				✓			
Cost control					✓			
Customer communication			✓					
KPI *			✓				✓	
Price Negotiation *		✓				✓		
Project Planning *	✓				✓			
Quality Control						✓		
Quality control by staff								✓
Reputation							✓	
Sense of Ownership *	✓				✓			
Sense of social entrepreneurship *	✓				✓			
The belief system in quality of goods/services					✓			
Trust					✓	✓		
<u>Diagnostic</u>								
<i>Ensuring co-existence of the pre-established dual mission</i>								
Organisation Structure						✓		
Staff recruitment								✓
Staff-related background							✓	
The emphasis on educational support								✓
Voluntary engagement in Accreditation						✓		
<i>Achieving Social Objective</i>								
Data Collection/ Analysis (In later stage)*	✓				✓			
Member recruitment						✓		
<i>Achieving Business Objective</i>								
Cost Control			✓			✓		✓
Planning						✓		
Profit centre					✓			
Quality Control (by the manager)								✓

*The control with two roles.

From Table 8.6, the MCs from the selected cases play a constraining role rather than an enabling one. The reason is that the role of control is related to the objective of control.

As described earlier in the second framework level - the objective of control - most of the MCs served strategic boundary objectives. Thus, the constraining role concurs with the strategic boundary as it plays the role of behaviour limitation.

Not only does the role concur with the objective of control, but the role can work effectively when the appropriate use of control is selected. An enabling role should be used interactively because it enhances staff inspiration, creativity and flexibility, while the constraining role can be used diagnostically to limit staff behaviour. However, from the table, the selected cases opted to use MCs interactively more than diagnostically to play a constraining role (constraining/interactive quadrant vs constraining/diagnostic quadrant). This can be explained by taking the type of control into account. The MCs were used interactively to play a constraining role because most of them were social controls. To use social controls to force a particular behaviour, the control must be used intensively until it becomes a norm/culture or creates awareness, hence outweighing its interactive use. Technical control, on the other hand, can limit behaviour and options by providing steps or guidelines on how to undertake tasks (Tessier & Otley, 2012). Once the steps and guidelines are clear, MCs can be used diagnostically when variances occur. Therefore, in these cases, technical controls tended to be used diagnostically to play a constraining role.

From the analysis above and the selected cases, it can be concluded that the role of control concurs with the objective of control whereas the role, the use and the type of control are inter-related. The last component of managerial intention is reward/punishment, which is now discussed.

8.5.3.3 Reward/Punishment (Intrinsic vs Extrinsic)

According to the MC conceptual framework, reward and punishment are part of the managerial intention, and the manager uses them to induce performance or limit behaviour (Tessier & Otley, 2012). From the selected case results, the most common objective is to set a limitation of behaviour boundary. Hence, the reward/punishment aims to focus on this objective. Table 8.7 reveals an attempt to divide the reward/punishment for each MC into intrinsic, extrinsic and no reward/punishment relating to the MC.

Table 8.7: MC and Reward/Punishment

Reward/Punishment	Intrinsic				Extrinsic				N/A			
	HT	GT	GL	B-Read	HT	GT	GL	B-Read	HT	GT	GL	B-Read
MCs												
<i>Ensuring co-existence of the pre-established dual mission</i>												
Belief system towards the dual mission	✓		✓									
Centralisation of key decision											✓	
CEO successor									✓			
Combined-Team meeting	✓											
Dual mission awareness	✓		✓									
Flat organisation									✓			
Lead by example	✓		✓									
Meeting											✓	
Organisation structure						✓						
Physical Communication (Museum)									✓		✓	
Questions asking/answering	✓											
Reputation	✓	✓										
Respect	✓		✓									
Staff recruitment												✓
Staff-related background												
The emphasis on educational support												✓
Trust			✓									
Voluntary engagement in accreditation						✓						

The findings from the selected cases were that the reward/punishment for each MC is mostly intrinsic/non-monetary reward/punishment. When the reward/punishment can clearly link to performance measurement, it can work effectively (Merchant & Van der Stede, 2017). However, in the SE context, performance is not clearly defined, especially social performance. Even though business performance can be more measurable, compared to social performance, the business performance still depends on social beneficiaries' performance when the SE has intensive involvement with their social beneficiaries. Business performance has a relationship with social beneficiaries, but the SE cannot fully control them. HT, GT and GL are intensively involved with the community in its business operation. Even for B-Read which has less involvement with the community, its obligation to stay connected with the community makes it more difficult to define precisely what the business performance should be. B-Read can opt to sell any products to generate income; it can set rigid targets annually. However, its selected products reflect its involvement with the rural community (i.e., rice or agriculture products). Yet, as a small rice trader, B-Read has low bargaining power and cannot set a proactive sales target. Besides, SEs have limited resources, thus monetary reward/punishment is limited and may not be suitable to use in the SE context.

In the MC in SE literature, W. K. Smith et al. (2013) suggested that clearly indicating performance measurement can help to resolve the tension between dual goals. However, SE's performance measurement is difficult because of the hybrid form, combining both social and business objectives (Austin et al., 2006). Besides, setting a performance target, especially for social performance, is difficult because it is uncertain and involves many stakeholders (Polonsky, 2016). A single measurement system cannot capture SE's dual mission performance (Speckbacher, 2003). Bagnoli and Megali (2011) proposed a multidimensional performance measurement, which is a combination of (1) economic performance measurement, (2) social performance measurement, and (3) institution legitimacy conformation. The literature suggests that all of these dimensions should be linked to measuring the overall SE performance (Bagnoli & Megali, 2011). Arjaliès and Mundy (2013) also suggest using a multidimensional performance measure to manage a Corporate Social Responsibility (CSR) program in a For-Profit organisation. To implement the multidimensional

performance measurement, a facet to be considered is comparing the control system cost and benefit from controls implementation (Merchant & Van der Stede, 2017). Even though performance measurement can be clearly defined, the different incentives between social and business objectives can lead to conflict between the measurement as demonstrated in GL with its KPIs. Furthermore, SEs' resource limitations may not be able to provide sufficient monetary reward/punishment to persuade staff to conform to expectations. Consequently, the self-reward/punishment (intrinsic) can be part of SEs' reward/punishment system in addition to monetary compensation.

Conclusively section 8.5 revealed the use of the MC conceptual framework. Summarising from the section, the framework is workable with some modifications to deal with the blurring of objective level and the SE context. The overall result of the dissertation has shown that selected cases tended to use social controls to serve the strategic boundary. The MCs are used interactively to play a constraining role in which intrinsic reward/punishment is preferred. The next section is a summary of the analysis and some suggestions.

8.6 Summary

The previous sections of 8.1 to 8.5 revealed the relationship between selected cases' attributes, namely, organisational form, the dual mission perspective and multiple identities response approaches, the SE definition and MC. The relationship explained how these attributes can justify the SE definition and how they affected the MC. The sections also reflected MC conceptual framework usage and explained why selected cases use the MC. This section provides a chapter summary, incorporating some recommendations.

8.6.1 SE Attributes, Definition and its tension

SE has been defined in a variety of ways, starting with the comprehensive concept of hybrid organisation to a specific type of hybrid, called SE (Defourny & Nyssens, 2008; Doherty et al., 2014; Ebrahim et al., 2014; Mair & Martí, 2006; Santos, 2012). While the comprehensive concept of hybrid is vague, it is inclusive. However, a narrow definition may exclude a number of hybrid organisations. Schneider (2016) proposed a

continuum concept to define SE. The dissertation supports the continuum concept to be more practical because SE has differences in organisation form and dual mission perspective. Hence, a suggestion is made to use the continuum concept to define SE in countries in which the SE concept is operationalised but which are yet to develop a specific legal form for SEs. Furthermore, mission drift should be carefully considered since in practice the SE dual mission is not necessarily equally balanced between the dual missions. The mission drift should mean the mission does not drift from the pre-established mission.

In addition, the SE attributes affect the MC objective and activities. It is arguable that the SE attributes can be called 'strategic planning' which guides how MC works. In this dissertation, SEs with different SE attributes chose to use different MC to suit their attributes. Therefore, another suggestion is also made that the SE should consider its attributes and select suitable MC activities.

The attributes, organisational form and multiple identities response approaches can partly prevent SE tension. The residual and the tension from an inappropriate organisational form and multiple identities response approaches can be resolved by MC. However, key MC from the cases, called belief system, was gradually developed throughout many years of SE's operations and involving the leaders' charisma. Despite this, MC is useful but it is not an immediate solution for SE's tension.

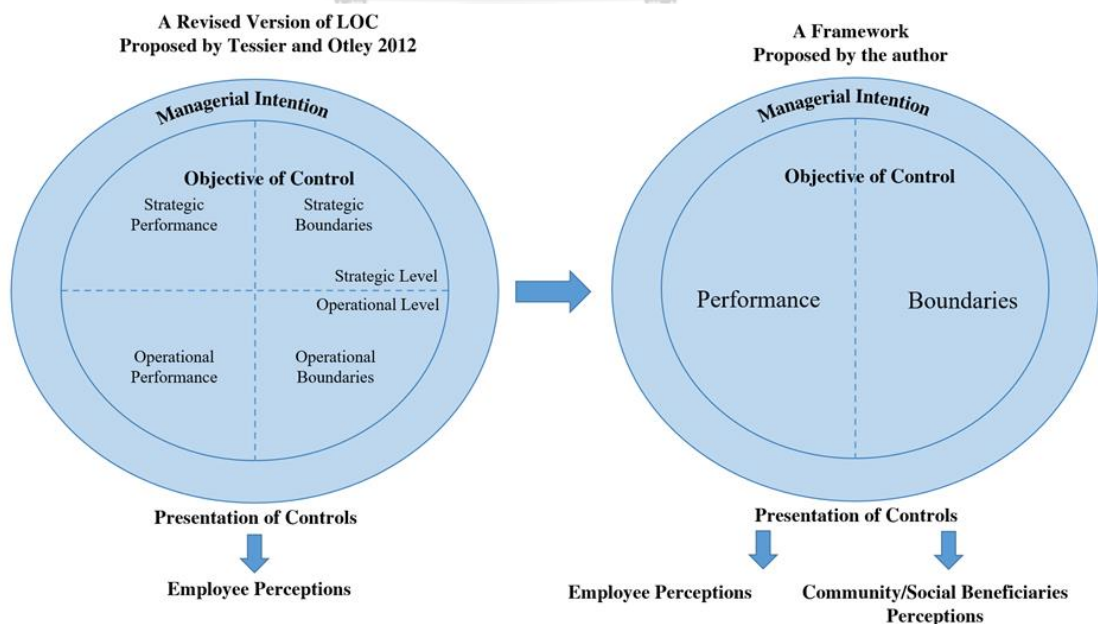
8.6.2 The Use of Management Control

The Tessier and Otley (2012) framework is used as a MC conceptual framework to explain the results of the dissertation. The reflection from using the framework is that there was a blurring between the strategic and operational levels, especially between strategic and operational performance. Both of the levels of performance objectives are interrelated and should be considered altogether. Furthermore, from the results and explanations in the previous sections, the operational boundary is rarely found in most cases, because a specific standard or guideline cannot be drawn for day-to-day operations.

The absence of an operational boundary can be explained by referring to the operational and management control definition from Anthony (1965). The operational boundary in the framework matches to operational control, rather than management control of Anthony's definition. Therefore, when interview questions were asked about the MC, the operational control tended to be excluded from interviewees' answers.

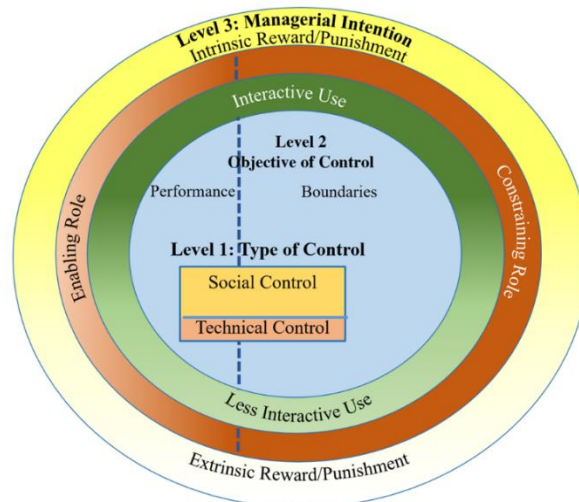
Consequently, suggestions are made. The first suggestion is to disestablish the organisational levels from the Tessier and Otley (2012) framework. The removal of the levels is supported by Anthony's (1965) MC definition. The operational level in the framework, especially the operational boundary, matches to operational control, rather than the management control definition. Therefore, the operational level should not be included in the MC framework. Besides, SEs are not only involved with staff but also with the community/social beneficiaries as the social beneficiaries are part of achieving the SE's goals. Hence, the MC of SEs is involved with community/social beneficiaries. The second suggestion, therefore, is to add the SEs' social beneficiaries to whom the SE has to present the control. Figure 8.1 provides an overview of the proposed framework.

Figure 8.1: Modified Framework



After the conceptual framework has been modified, a summary is drawn from Section 8.5, the use of MC in selected cases, describing in the previous section. Figure 8.2 demonstrates a summary of the result.

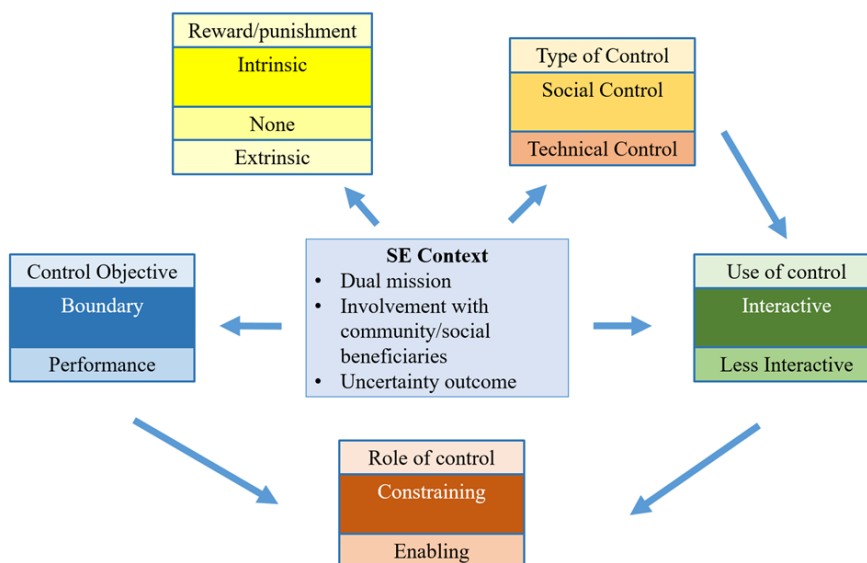
Figure 8.2: Summary of the Use of Control



The summary presented in Figure 8.2, can be explained from the inside to the outside of the circle, starting with framework level 1 type of control. Social control is preferred over technical control to serve the boundary objective. Framework level 2, the control objective circle, is unequally divided between the performance and boundary objectives because most of the cases used MCs to serve the boundary objective rather than the performance objective. Framework level 3 is the managerial intention, consisting of the use of control, the role of control and reward/punishment. A circle next to the objective of control is the use of control in which interactive use outweighs diagnostic use. Both of the uses of the control are interwoven and called interactive and less interactive (rather than interactive and diagnostic). The next two circles are the role of control and reward/punishment in which the constraining role and intrinsic reward are preferable.

All of the elements of the framework are interrelated and related to the SE context. The SE context includes dual mission characteristics, involvement with community/social beneficiaries and uncertainty of outcome, leading to unclear performance measurement. The interrelation can be demonstrated in Figure 8.3

Figure 8.3: A Relationship of MC Framework Elements and SE Context



From Figure 8.3, the SE context affected many of the MC elements, including the type of control, control objective, the use of control and reward/punishment. The type of control has an impact on the use of control. The type and the use of control affect the role of control. In addition, the control objective influences the role of control. Prior literature reveals the relationship between the organisational context and the individual elements of control. When outcomes are uncertain and performance measurement is unclear, Kennedy and Widener (2019) highlighted the need for interactive use of MC (which they called socialisation mechanism) to enhance goal achievement. Mundy (2010) also emphasises that an interactive process is necessary for organisations facing changes. Not only that, Kraus et al. (2017) claimed that social controls ('ideological talk') can prevent potential conflict in Not-For-Profit entities when they transform to become SEs.

Furthermore, Chenhall et al. (2010) and Vieira et al. (2013) investigated the use of MC in terms of the type of MC between formal and informal control in a SE-like (not-for-profit with economic purpose) and SE respectively. The literature found mixed results, as Chenhall et al. (2010) found that using formal control obstructs social purpose, but in contrast, Vieira et al. (2013) found that overuse of informal control leads to fraud and financial crisis. Drawing from the results in this dissertation, the selection of the

type of control between social (informal control) and technical (formal control) should not be considered alone. SEs should take the use of control and the role of control into account to justify the effectiveness of control because all of these aspects are interwoven.

This interaction demonstrated managerial intention when selecting the MCs. The managers of the selected SE cases opted to select MCs suitable to the SE context and consider the interrelationship between the elements. The use of MC, as shown in Figure 8.2, facilitated SEs to achieve the dual mission in the context of unpredictable outcomes. Since the selected cases are well-established SEs, it can be implied that the use of MCs help a SE to be successful in sustaining its dual mission, although it is recognised that this is a selection of SEs.

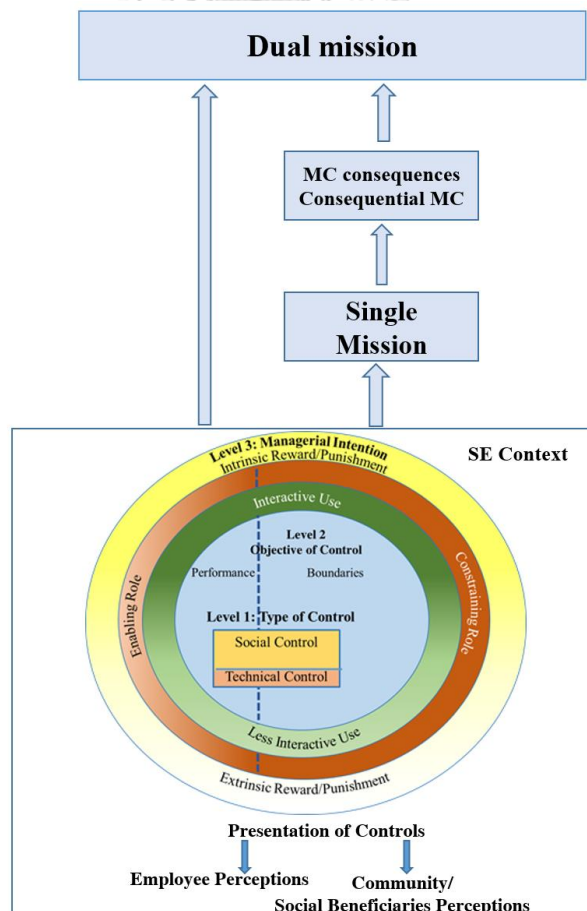
8.6.3 Management Control and Dual Mission

In this dissertation, the primary research question is to investigate how MC can be used to manage the tension between social and business objectives. Social and business objectives have different incentives; that is, the social objective focuses on social beneficiaries whereas the business objective focuses on shareholders' profit maximisation. The MCs to be used to achieve a dual mission cannot be considered separately or randomly selected without consideration of the consequences on another objective (either social or business). Hence, considering the interrelationship between the MC is necessary. The MCs, which can streamline both social and business objective, are desired to fulfil dual missions.

From results obtained from the selected cases, some MCs, such as a belief system in the dual mission, can lead directly to dual mission achievement. Some MCs aimed to fulfil a single mission, either social or business. The use of the MCs shown in Figure 8.2 not only strengthens MC for the dual mission to achieve the dual goal but also enhances the single MC to achieve the dual mission through MC consequences or consequential MC. For example, when HT performed a MC, namely, question asking/answering at the project initiation, it induced a dual mission awareness (MC consequence) among the staff members. The dual mission awareness is a social control

which served a strategic boundary to achieve the dual mission objective. More examples can be shown when HT's profit centre is considered; it induced the staff's sense of entrepreneurship. The sense of entrepreneurship, when working with dual mission awareness of the staff, persuades innovation, which is a desirable final consequence. GL also showed an interaction between departments to induce cooperation. GL used KPIs as a MC to achieve the business objective. When the KPIs operated separately between the departments, they could lead to a conflict in case of departmental KPI conflicts. However, the KPI in the GL case is different. The KPIs of the quality control department tended to conflict with the agriculture department (See Chapter 7), but the two departments chose to cooperate rather than compete to achieve the overall dual mission objective. One of the reasons is that both departments are aware of GL's dual mission and GL's CEO works continuously to emphasise the dual mission. Figure 8.4 demonstrates how the MC could be used to achieve a dual mission.

Figure 8.4: MC and Dual Mission



As mentioned earlier, the interrelation of control elements reflects managerial intention on how to use the MC effectively to suit the context and consider the relation of the control elements. It can be concluded that the MC is not used randomly, but the MC is used by intention to achieve the goal.

One of the critical arguments about the MC concept is whether the MC is used as a system or a package. Simons (1995) implied that MCs can be a system, comparing MCs as opposites like Chinese Philosophy (Yin & Yang) to leverage the controls. Tessier and Otley (2012) proposed a revised version of Simons (1995) LOC and applied a similar concept to the original framework considering MC as a system. Yet, Malmi and Brown (2008) proposed a concept of MC as a package, attempting to provide a typology of control because there is much literature that studies individual MCs or a combination of MCs in a specific context, but the typology of these MCs had not yet appeared (Malmi & Brown, 2008).

With an attempt to explain a distinction between MC as a system or as a package, Grabner and Moers (2013) proposed the MC as a system or as a package definition. MC as a system means that each MC is interrelated to each other, and this idea is fundamental to the design of the MC (Grabner & Moers, 2013). MC as a package is a MC, combination of MCs or MC system in which they may or may not be interrelated. The interrelationship of the MC is not considered when the MC is designed (Grabner & Moers, 2013). In other words, MC as a package means that MCs can be randomly selected to resolve control problems.

Drawing from the above, MC in the selected cases are operating as a system rather than a package. A suggestion, then, is made to use a management control 'system' to operate the social enterprise. Considering the MC as a system enhances the linkages between MCs, which focus on achieving either social or business to work together without conflict.

The next chapter will provide chapters' conclusion, including research reflection, contribution, limitation and future research.

CHAPTER 9 CONCLUSION

9.1 Introduction

This dissertation investigated how the Management Control (MC) can be used to manage the tension of dual mission in Social Enterprise (SE). Increasingly SEs, as an alternative organisation form of Not-For-Profit (NFP) and For-Profit (FP) organisations, have become more important in filling gaps relating to government and market failure – that is when public-sector entities provide no or inappropriate service, and for-profit entities cannot make sufficient profit from such goods or services (Austin et al., 2006; Haugh, 2005). SE emergence is widespread in many regions worldwide, especially in Europe, the United States and Asia (Defourny & Kim, 2011; Defourny & Nyssens, 2008).

The distinctive characteristic of SEs is their combination of business and social objectives. However, the dual mission may be conflicting and cause some tensions which need to be managed. Empirical evidence for how to manage the tension between these dual goals is still lacking. It is recognised that Management Control (MC) is an effective tool for goal achievement. The use of MC has been investigated, primarily based on either pure NFP or pure FP. FP organisations with different business strategies will use MC differently (Simons, 1990). Even though (Vieira et al., 2013) and (Chenhall et al., 2010) reveal the use of MC in SE and SE-like organisation (i.e. NFP with economic purpose), there is still little evidence investigating about how to use MC especially in the different contexts such as SE. As MC helps organisations to achieve their objectives, there is therefore a need to understand more about how the MC works in the SE context.

In this dissertation, a revised version of Simons' Levers of control, proposed by Tessier and Otley (2012), is used for the MC conceptual framework to reveal the MC used by selected SE cases. The case selection criteria were focused firstly on the SE definition, which was developed using the continuum concept based on Schneider (2016), while the secondary criteria was about the disadvantaged beneficiary group in the Thai context.

Thailand is a country in which inequality has developed over the centuries. Such inequality occurred from the history of the Thai governance system, dividing people into different social classes. As such, the Thai rural people are the most disadvantaged in Thai society. Consequently, to reflect the Thai context, the selected cases were required to have a social objective to increase income or improve the quality of life of rural people. Four cases were selected, and two of them (Green Trade-GT and Golden Land-GL) aim to increase rural people's income, the third SE (Happy Tribe-HT) seeks to improve the quality of life of the hill tribe community, and the fourth (B-Read) to increase education opportunities for rural people. These cases were investigated by qualitative research, specifically as to how they use MC to manage the tension between dual missions. The result and analysis of the use of MC from these cases have been revealed in the previous chapters and the following sections provide research reflections, contributions, limitation and future research.

9.2 Research Reflections

9.2.1 SE and Inequality

Thai society has historically developed inequality within the patronage culture of Thai governance (Asian Development Bank, 2013; Hewison, 2000; NESDC, 2011). The development of governance and economy in Thai history induced social classes, dividing the people into the advantaged and disadvantaged class. The relationship between the classes is a vertical dependency relationship, called the patronage system. A vertical dependency relationship can be tied by social obligation in exchange for protection and loyalty, for example, the relationship between king and commoner classes. After the revolution in 1932, the tie between the classes was changed to a political patronage tie where politicians use public resources in exchange for electoral votes (Roniger, 2004). Scholars argue that the patronage system obstructs the reduction of inequality, especially when the disadvantaged class perpetually lack self-sustainability. Nevertheless, the dependency relationship continues (De Wit & Berner, 2009; Lemarchand & Legg, 1972; Leonard et al., 2010). SE could be part of inequality reduction by lessening the dependency relationship of the disadvantaged class.

As shown in section 5.3.3 in Chapter 5 about SE's social beneficiary focal and type of business, it can be found that the existing SEs in Thailand focus primarily on Not specific social beneficiaries rather than Rural nor Urban people which should be a targeting group to resolve inequality. Given the benefits that SEs have provided to rural people (as shown in this dissertation), a straightforward suggestion is to increase the number of Rural and Urban SE so that SE can be part of reducing inequality. However, the SEs with a Not specific focus are still helpful. Most of them are mainly involved in the media business. SE media businesses can help to resolve inequality by including media content about inequality to raise public awareness. Further, SE media businesses could act as platforms for rural people or poor people in urban areas to express their participation in governance or economic policy or to address their inequality agenda. The suggestion of raising public awareness and providing a participation platform are appropriate alternatives because they consume fewer resources than converting the business operation of SE to rural/poor urban specifically in order to address inequality problems. Even though inequality cannot be eliminated entirely, it can be reduced in certain ways. SE can assist in resolving social problems, and can also be part of the inequality solution

Furthermore, in Thailand, SE has a long history, despite that a specific legal structure for SEs emerged only in 2019. The emergence of SE in Thailand is mostly to respond to gaps that the government and for-profit sectors have not filled. From the social class, the rural people are the most disadvantaged in Thai society. They have low income and poor quality of life (NESDC, 2017; World Bank, 2016). SE, established in the early years of SE emergence, aimed to resolve poverty and improve the quality of life of the rural people, including selected SEs in this dissertation. Three (HT, GT and GL) out of the four selected cases are well-established with over 15 years of operation, and their social objective is either to increase rural people's income or to improve their quality of life. In addition, all of these three are intensively involved with their social beneficiaries. Working continuously with the rural community increases not only the community's income but also increases the community's opportunity to improve their quality of life. For example, HT is involved intensively with its hill tribe villagers to increase their income from 3,722 THB in 1988 to 94,240 THB/person/year in 2017.

Moreover, the villagers' quality of life is also improved, for instance, educational opportunities to hold a bachelor degree had increased from 0.2% in 1993 to 7.9% in 2016. When both income and quality of life have been improved, rural people can be self-sustainable. For B-Read, although it is a separate unit established to generate income, it is indirectly involved with the rural people by increasing educational opportunity for rural children through the work of the Bamboo School. Education improves the disadvantaged people to increase their employment as well as income, eventually leading to self-sustainability. When disadvantaged people achieve self-sustainability, it lessens the vertical dependency of the patronage system and could reduce inequality problems.

Recently, the Thai government encouraged SE to be part of the inequality solution as presented in National Economic and Social Development Plans (the tenth, eleventh and twelfth plans). To implement the National Economic and Social Development Plans, the Thai government initiated a draft law of the SE master plan (Royal Thai Government, 2010), and the SE Act came into effect in 2019. Additional policies to support SE Act are soon to be issued, for example the encouragement for government departments to use SEs for procurement of goods/services. The SE Act, including the forthcoming supportive laws, promote the establishment of SE regardless of who the social beneficiaries are. However, this dissertation suggested to policymakers that SE with high involvement with rural people should be concentrated on, as it is anticipated to lessen the inequality problem.

9.2.2 SE Attributes, Definition and its tension

Drawing from the results and analysis in the previous chapters, the selected SEs have differences in their attributes, including organisational form, dual mission perspective and multiple identities response approaches. Such differences imply that SEs have various characteristics. An attempt to define SE rigidly will leave out some SEs. Therefore, using the continuum concept to define SE is likely to be appropriate, compared to the dichotomous SE definition (Ebrahim et al., 2014; Mair & Martí, 2006; Santos, 2012). Furthermore, as demonstrated by the selected cases, the emphasis of

each individual SE are on either social or business. Their dual missions vary, depending on the SE's attributes. A SE, which is originally from a foundation, can emphasise more on social objectives than SEs using the company form and vice versa. An implication can be drawn that the dual mission of SE may not necessarily balance between the social and business objectives. Thus, mission drift means the mission is changed from the pre-established mission rather than the unequal emphasis on a dual mission.

Furthermore, a reflection of a variety of SE attributes should be taken into account when developing an SE definition for enacting laws and regulations. If the primary purpose of SE enacting laws and regulations is to promote the number of SE (i.e. in Thailand), a rigid or dichotomous SE definition may not be suitable in terms that it may impede SE emergence which is inconsistent with the Thai government intention to enhance the number of SEs. In the recent Thai SE Act, released in 2019, the SE definition is defined as an organisation, in any legal form, primarily focused on a social objective. Other specific characteristics are also defined; for example, 50% of total revenue must come from the business operation or the profit distribution must be reinvested into SE operations or used in social purposes. Specific characteristics are defined for the legal benefit (i.e. tax benefit). Therefore, any organisations, which have primarily focused on social objectives, are still SE but may receive different legal benefits. Hence, the SE definition by the Act is flexible enough to enhance SE emergence in Thailand.

For the SE's tension, chapter 8 discussed about organisation form and multiple identities response approaches as they can partly prevent SE's tension. The residual tension, including the tension originally from inappropriate organisation form and multiple identities response approaches, can be managed by MC. The result of this dissertation supported Kraus et al. (2017) which found that ideological control lessens a resistance to implementing formal control in non-governmental organisation. Similar to ideological control, the belief system has an important role for tension management. In addition, Chenhall et al. (2010) and Vieira et al. (2013) investigated formal and informal controls in a SE-like organisation and SE. The results are mixed in terms that Chenhall et al. (2010) found that informal controls have an advantage over formal

control and Vieira et al. (2013) found the opposite result. This dissertation supported that a combination of formal and informal control would be best.

9.2.3 MC Framework

As noted (and discussed in Chapter 4), the MC framework in this dissertation is based on Tessier and Otley (2012). The framework is a revised version of Simons (1995)'s Lever of Controls. Both the original and revised framework are based on an economic rationale which uses MC for business strategy implementation (Simons, 1995). Therefore, the MC framework tends to be used in a single mission organisation. Using the MC framework in the dual mission context, especially combining different rationales between social and economic objectives, means the framework must be modified. Dual mission and involvement of social beneficiaries'/community produces outcome uncertainty because of the various needs (i.e. needs of social beneficiaries or customer) and considerations (i.e. profit sustainability, dual mission co-existence). From the result of this dissertation, I found that outcome uncertainty leads to a need to interweave MC to assess the progress of activities (i.e. obtaining feedback in a specific area - operational performance) and to ensure the appropriateness of the organisation's strategies (strategic performance). This blurs the attempts to separate MC for enhancing performance objectives into the strategic and operational level. Additionally, the dissertation found that day-to-day instructions on how to prevent mission drift/dual mission co-existence are difficult to provide. Hence, the MC is less used in the operational boundary. Therefore, modifications to the framework were proposed to remove the organisation level of control objective. Furthermore, in SE, the MC is not only used with staff, but also with social beneficiaries. Hence, the framework has been modified to respond to the SE context.

Even though using the complete MC framework can be useful to investigate the MC activities in SE, a caveat could be made when it is used in practice. The complete MC framework consists of many elements of MC. Such a MC framework, in general, is intended to provide a broad framework so that the users can use it to conduct empirical evidence in a particular area (Bedford & Malmi, 2015). Drawing from the results in this dissertation, when the framework is used in practice, especially in a complex SE

context, indecisions occur in terms that some MC cannot be categorised into framework elements because the elements of MC are interconnected. Consequently, a complete MC framework with fewer MC elements is encouraged to investigate MC in a complex context, such as in SE. Alternatively, some, but not all related elements from the complete MC framework can be selected to investigate the use of MC in a complex environment.

9.2.4 The Use of MC

In this dissertation, the objective is to explore how MC can be used to manage the tension between the dual mission. Drawing from the results, social controls, belief systems and their communication, in particular, play an essential role in SEs achieving their dual mission. The dual mission cannot be achieved by giving instructions but rather by convincing the thoughts of staff. Therefore, a dual mission belief is created and communicated to the staff. Dual mission belief and its communication encourage dual mission awareness as a consequence. When staff acquire dual mission awareness, it induces the staff to develop a self-boundary (i.e. not to undertake any actions to endanger the dual mission) and be self-motivated (i.e. to be innovative to achieve dual mission).

Two cases in this dissertation show this belief system in the dual mission, as the CEOs of HT and GL, formulate it. Further, these CEOs intensively communicate the dual mission belief system to their staff. Continuous belief system communication reduces the likelihood that staff will disconnect from it. One of the ways in which the CEOs of HT and GL use the belief system is to act themselves as an example to promote the dual mission being incorporated with other activities (i.e. question asking/answering, combined team meeting in HT and meeting in GL). Setting themselves as the example required that the CEOs had a strong belief in the dual mission as well. For HT and GL, both of the CEOs have been involved with the respective founders. HT's CEO has a family relationship, whereas, the GL's CEO worked closely for many years with the founder before joining GL as the CEO at an early stage of GL's establishment. In addition, the founders of both HT and GL are from the Thai Royal family, which is highly thought of in Thai culture, and therefore they gain respect from Thai people,

which enhances the belief system. Additionally, other staff of HT and GL also have a related background in order to ensure belief system alignment. The belief system is a social control which does not provide specific instructions on how to undertake tasks, hence the staff may lack direction on how to complete their tasks (Merchant & Van der Stede, 2017). Merchant and Van der Stede (2017) state that recruiting staff with an appropriate background enhances the understanding of how to perform tasks with less instruction.

For the other two cases of GT and B-Read, they have similarities and differences to the previous two cases. GT is different from HT and GL in terms that it uses its organisational form (i.e. cooperative form) to enforce behaviour. Hence the belief system is not intensively used. With minimal use of the belief system, the staff of GT can operate tasks by instruction and have lesser degrees of self-motivation, leading to a passive working environment. For B-Read, even though it is different from HT and GL in terms of organisational form (i.e. foundation of HT vs company of B-Read), dual mission perspective (i.e. social-oriented in HT vs business-oriented in B-Read) and multiple identities response approach (i.e. aggregation of HT/Integration of GL and compartmentalisation of B-Read), it shares a similarity in terms of the use of belief system and staff background. B-Read's CEO is related to the founder through a family relationship so that the CEO can carry over the belief system to B-Read's staff. However, the degree of the use of the belief system and its communication is less than HT and GL because the size of B-Read (five staff) is smaller than HT and GL.

As described above, the reflection, drawing from the results is that to protect the dual mission, the belief system is vital and must be formulated and intensively communicated and incorporated with staff-related background recruitment. To do that, the leader, including the founder or CEO, can be a role model to inspire the staff about dual mission protection. Optionally, the organisational structure can be used to enforce the co-existence of the dual mission. However, the structure should be adjusted according to the situation, unless a specific SE organisational structure is developed through laws and regulation. Even in achieving the business objective, the social control still has its roles in addition to technical controls (i.e. planning, profit centre or cost

control). The selected cases used the belief system to encourage, for example, a sense of social entrepreneurship and project ownership to motivate business ideas and the successfulness of the business projects.

Another reflection about the use of control can also be drawn from the results. As was seen in the results and analysis chapters (Chapters 6-8), interactive MC use is preferable. Interactive use strengthens MC to achieve the dual mission and enhances the MC for a single mission to achieve the dual mission through MC consequences. Interactive use can also alter a typical pattern of technical control when operating with a MC consequence, called dual mission awareness. Technical control can provide guidelines on how to perform tasks. Therefore, it constrains staff behaviour by nature and may impede creativity. However, when technical control is used interactively and incorporated with dual mission awareness, it can play an enabling role to inspire and promote creativity and flexibility. For example, in GL, the Key Performance Indicator (KPI), which is a technical control, was used interactively and incorporated with dual mission awareness. It therefore promotes cooperation rather than conflict between departments. Likewise, interactive use is similar to the belief system and its communication, in terms of needing to be performed by the CEO/manager. This also affirms the role of the SE CEO/manager as an influential person for dual mission management.

Furthermore, the dissertation cases suggest that intrinsic reward and punishment systems are preferred over extrinsic systems. For SE or NFP organisation, the outcomes are uncertain and performance measurement is unclear (Cordery & Sinclair, 2013; Merchant & Van der Stede, 2017). An attempt to relate the reward and punishment system to performance is difficult. Extrinsic reward/punishment, including monetary incentive plans, could lead to staff dissatisfaction because the performance measurement could not correctly reflect the performed activities. Therefore, intrinsic reward/punishment can be an option in terms that it makes SE staff realise how they can be part of the overall achievement of the dual mission. CEO/manager could provide intrinsic rewards by complimentary or public recognition of staff performance or blame.

Conclusively, the dissertation suggested to SE practitioners the role of social control, interactive use of the control and intrinsic reward/punishment can be helpful to manage tensions between SE dual missions and to assist the achievement of those dual missions.

9.2.5 MC as a System in SE

The results of the dissertation demonstrated not only a relationship between control elements within one MC but also a relationship among MCs in terms that a SE operates two different objectives, i.e. dual mission. Achieving one objective can be at the expense of another. An over-emphasis on a MC for a single mission (either social or business) could endanger the other objective and alter the mission from the pre-established dual mission. Hence the interrelation between MCs must be considered, otherwise they may cause mission drift. The CEO/manager may not consider the MCs interrelation when they begin to use the MC, but the consideration will be developed over time when CEO/managers attempt to retain the dual mission. The reflection is made that it will be effective if MCs are operated as a system.

9.3 Contribution

This dissertation produced both theoretical and practical contributions as follows:

9.3.1 Theoretical Contribution

SE literature has recognised the tensions between SEs' dual missions. The SE literature attempts to provide solutions to resolve the tension, however most of them exhibit a theoretical framework (Cornforth, 2014; Moizer & Tracey, 2010; Smith, Gonin, & Besharov, 2013). Some literature demonstrates empirical evidence as to how to manage the tension between the dual mission using multiple identities response approaches or individual MC (i.e. performance measurement system) (Arjaliès & Mundy, 2013; Bagnoli & Megali, 2011; Battilana & Dorado, 2010; Chenhall, Hall, & Smith, 2015; Kraus, Kennergren, & von Unge, 2017). Some literature provides empirical evidence to use MC as a system in the SE context but not for managing the dual mission tension. Instead, the literature investigates how MC as a system affects social capital in SE (Chenhall et al., 2010; Vieira et al., 2013). The theoretical contribution of this dissertation firstly extends that literature by applying a specific tool, called management

control and provides empirical evidence about the use of MC as a system to manage the tension of SE dual mission. While Simons (1995) and Tessier and Otley (2012) apply the MC as a system, Malmi and Brown (2008) proposed MC as a package which this dissertation argues against. The relationship between MC activities, consequential MCs and MC consequences to manage the dual mission tension has been revealed. Also, the relationship between MC elements (i.e. type of control, the objective of control and managerial intention) from MC conceptual framework is exhibited.

Furthermore, the dissertation provides some extensions to the MC conceptual framework, proposed by Tessier and Otley (2012). Firstly, from the reflection about the use of the MC conceptual framework, the dissertation proposes to disestablish the organisational level of control objective (i.e. strategic vs operational level) and widen the use of control not only to the staff but also to social beneficiaries. Without the restriction by organisation level, the MC can be freely explored. The inclusion of social beneficiaries into the use of control can reshape the control system design, which could be different from MCS in for-profit organisation literature. Social beneficiaries cannot be fully controlled, hence it may not be the most effective for the SE to pursue a similar MC system to the staff, when seeking to influence the behaviour of social beneficiaries. In addition, Tessier and Otley (2012) discuss that the presentation of control can affect employee attitude, which could lead to positive/negative/neutral perspectives towards the control. Inclusion of social beneficiaries makes the manager aware that the presentation of the control could be different when they present the control to social beneficiaries, compared to the staff. The effect of social beneficiaries' negative perspectives towards the control could jeopardise SE, especially when the social beneficiaries are part of SE operations as product producers. Consequently, extending the framework to cover the social beneficiaries is essential for this reason.

The second extension from Tessier and Otley (2012) is the use of control in the MC framework. This dissertation proposed the use of control to be 'interactive' and 'less interactive' use instead of 'interactive' and 'diagnostic' use of control. Chapter 8 explained the use of control. In the SE context, social and business activities should be

monitored continuously rather than on a regular basis or when the variances occur. More frequent report or meeting may be less formal, for example, through socialisation between CEO/manager and staff. An example of socialisation is when HT's CEO performs question asking/answering and leading by example is to get the feedback from his staff. Similar to HT, the CEO of GL also acted as an example for his staff and allowed the staff to socialise with him so he could receive feedback and send back suggestions to his staff. Socialisation is a social control with the least cost to perform (Merchant & Van der Stede, 2017). However, socialisation is time-consuming for the CEO so it is not without cost.

The third extension of the framework is in respect to reward/punishment. This dissertation proposed attention to intrinsic reward/punishment as it can be used in combination with extrinsic reward/punishment. Intrinsic reward/punishment tends to be suitable for SE. SE has resource limitations and may not provide sufficient monetary rewards to satisfy the staff as well as to enforce staff behaviour. However, intrinsic reward/punishment must concur with the staff's acceptance. Some staff may prefer for extrinsic (monetary) reward/punishment over intrinsic reward. Staff preference can be understood, starting from staff recruitment (for example, GL's factory manager asked the applicant about themselves whether they are self-profit maximising or optimising), or through the socialisation process. Once the staff desire information is obtained, a proper combination of reward/punishment can be designed.

The last theoretical contribution is using the MC as a system in SE. Most of MC literature investigates the MC in the single mission either social or business mission. The MC can be designed directly to achieve a single mission. Consequently, this dissertation extends the MC existing literature in a single mission organisation by providing empirical evidence on how the MC can be used in the dual mission organisation. The dissertation revealed that some MC for single mission needs consequential MCs (i.e. community participation or knowledge management) or has MC consequences (i.e. the sense of ownership or sense of entrepreneurship) leading single mission MCs to achieve the dual mission. Therefore, the SE manager can design

the MC not only to directly achieve the objective but also the consequential MC and MC consequences in addition to MC activities to achieve the dual mission.

Conclusively, the majority of SE literature provides theoretical frameworks for dual mission management whereas the MC literature provides the use of MC in a single mission organisation, either a For-Profit or Not-For-Profit organisation. This dissertation contributes to MC literature providing empirical evidence by applying the For-Profit MC framework to dual mission organisations. In order to apply the MC framework for a SE, the dissertation supports the use of simpler elements and broader aspects of the MC conceptual framework to cover staff and social beneficiaries to investigate MC in a complex context, such as in SE.

9.3.2 Practical Contribution

The dissertation provides an insight into how successful and well-established SEs use MC to manage the tension between dual mission in addition to how the SEs can be part of the inequality solution in Thailand. The dissertation supports the emergence of SE, especially SE which are intensively involved with rural people as social beneficiaries, such as the selected cases. Increasing the number of such SE will help rural people to increase their income and/or improve their quality of life, including educational opportunities to lessen the inequality problem. Therefore, the SE definition should be flexible enough to include all SEs rather than impede them. The dissertation acknowledges the differences in SE attribution and supports a continuum concept to define SEs. Consequently, the first practical contribution can be made to policymaker to use a continuum concept to define SE by Law. Since the definition in Thai SE Act is flexible, Thailand SE definition could be set as an example for other countries which the SE definition or Act has not been developed.

Acknowledging SE attribute differences can also provide the second contribution to policymakers or regulators when they develop the SE monitoring system which is inferred from the experience of undertaking this research. When SEs are registered by law, there will be a monitoring system to regulate the SE to ensure that it will continuously perform its operation as registered. Similar to the SE definition, the

monitoring system should be flexible. For example, the monitoring system should cover a wide range of annual social impact report formats. SE from the foundation may provide descriptive report whereas the SE from the company form may provide clearly report using the figure of business operation. Applying the continuum concept to SE monitoring system can ensure that registered SE can remain the SE.

The third contribution is in respect of social beneficiaries. Three of four cases in this dissertation are successful SEs with high involvement with social beneficiaries. They have operated as SEs for many years and have developed strong relationships with social beneficiaries. Critical success factors can be drawn from the dissertation result. The factors are continuous communication between SE and its social beneficiaries and social beneficiaries' understanding of SE business. Hence, the dissertation contributes by recommending that social beneficiaries should participate fully by giving SE feedback and learning about how SE operates its business. Doing so enhances cooperation and streamlines the relationship between SE and its social beneficiaries.

The fourth contribution can be provided to new and existing SE about how to use the MC to manage the tension between the dual mission. From the result, the dissertation suggested that a selection of appropriate organisational form and multiple identities response approaches can partly prevent the dual mission tension. The residual tension can be managed by MC. When the appropriate organisational form and multiple identities response approaches does not exist, the MC plays an important role to manage the whole tension. Regarding the use of control, even though the selected cases used a combination of social and technical controls, the dissertation highlights the role of social control, especially, belief system and its communication, and interactive use of MC to preserve dual mission co-existence. To be successful for such purposes, SE leaders should be active and act themselves as dual mission co-existence influencers. A caveat needs to be considered that conducting social control requires great attention from management. However, it is useful to induce the staff to develop self-boundaries and be self-motivated and thus strengthen SEs' dual mission. SEs can use social controls in combination with technical controls to manage the dual mission. The newly emerging SEs, in particular, should use the belief system and intensively communicate

with the staff to ensure the dual mission. Belief system and its communication is vital for the newly emerging SE because when SE is newly founded, there may have many different staff perspectives towards the dual mission. Therefore, SEs should ensure that the staff have the same perspective as the SE needs and desires. Furthermore, when it is conducted in the early stage of SE establishment, the belief system protects dual mission and prevents potential conflicts between the mission. In contrast, when the SE has been operating for a certain time, and SE staff are aware of the dual mission, another control, called cost control, should be emphasised. Drawing from the cases, cost control, which is used by all of SEs, is vital because the business expansion is challenging for SE as explained in previous chapters. Cost control will help SEs to sustain their business.

The fifth contribution suggests to mature SE, drawing from the HT case when it attempts to replicate its social model for income-generation. As described in Chapter 6 (the latest phase of HT context), HT provided consultancy services for its social model replication to other areas in other countries. The success of the replication comes from the consequential MC, called knowledge management, which HT performed after data collection/analysis. Mature SE can acquire some unique knowledge (i.e. HT or PGS system of GT) and generate income from the knowledge. Therefore, knowledge management is encouraged for SEs.

The last practical contribution is a consideration of MC as a system. The dissertation underpins this, and the sooner the CEO/manager acknowledges that MC should operate as a system, the better.

9.4 Limitations

The dissertation evidence is drawn from a specific area of interest – Thailand - and does not include other SE challenges, such as how to use MC for SE expansion. Furthermore, the selected cases are unique in terms that the cases are generally intensively involved with social beneficiaries. Also, the CEO/founders of the selected cases are well-respected and have a significant influence on their staff. Consequently, it is easier to exercise belief system, compared to other SEs. The result from general SE, which has

no role model, may alter the result of how to use MC to manage the dual mission. The uniqueness of the cases from qualitative research multiple case studies, in particular, is appropriate to answer the research question. Nevertheless, the result from the dissertation cannot be generalised as representative of the SE population but rather generalised as context transferability, so that new or existing SE can learn from in-depth case studies of successful SE and how to use MC to manage the tension between the dual mission.

9.5 Future Research

For this dissertation, the primary focus is on the use of MC to resolve the tension between SEs' dual missions. However, during the conduct of the research, the case studies data provoke other related areas for further exploration. The cases in this dissertation are all well-established SEs. For less mature SEs, the MC could be used differently and has not been explored in the dissertation. Therefore, future research can be conducted to investigate a relationship between different organisational stages and the use of MC in SE. In addition, investigation of MC usage is from a specific case context, and future research can be conducted to reflect how to use MC in other SEs which have less involvement from social beneficiaries and have no CEO/founder as the role model. Besides, to prevent mission drift and attempt to retain dual mission may impede SE expansion, therefore future research can explore how to balance between dual mission sustainability and SE expansion. The exploration of how to use the MC in SE expansion is also challenging and is worth further exploration. Nevertheless, this thesis contributes to SE and MC academic fields, as well as makes a practical contribution to SE's management as to how to achieve the dual mission they seek to reduce inequalities, especially amongst rural agrarians who are the poorest in Thailand.

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