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Stakeholder Pressure in Social Entrepreneurship: A Qualitative Exploration

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ABSTRACT

The media, governments, and academics throughout the world are focusing progressively on social entrepreneurship as it becomes an increasingly significant global phenomenon. Similarly, the past literature declares that firm's approaches to social responsibility could vary, but they always place a greater emphasis on satisfying and shaping the expectations of stakeholders. In a similar vein, it is evident that organizations face a unique problem that goes far beyond balancing their interests and demands with those of their stakeholders. Thereby, the underlaying aim of this study is to explore the role of stakeholder pressure interventions in social entrepreneurship. Further, this paper shed light on the future growth of the stakeholder pressure in social enterprise research agenda and how to entice new researchers to participate to it. This is primarily a conceptual study using a qualitative approach to the topic at hand. A comprehensive literature review and the considerations garnered from

informants given. According to our views, the conceptual and empirical scope of the stakeholder pressure in social entrepreneurship area must be redefined and further explored. The insights discussed in this paper aid in resolving and explaining some of the arguments and conceptual and practical obstacles that have impeded the growth of the stakeholder pressure in social enterprise research agenda.

Keywords: *Qualitative Approach, Social Entrepreneurship, Social Responsibility, Stakeholder Pressure*

1. INTRODUCTION

The social enterprise business sector is contributing more significantly to the communities and economy of Sri Lanka. This has led to increased interest in the management of social businesses among both academic and practitioner groups (Pache & Santos 2013). Social entrepreneurship, delineated as the use of market-based solutions to solve social issues (Hota et al., 2020), has grown in popularity over the last two decades (Dacin et al., 2011) and is increasingly recognized as a discipline capable of creating both economic and social benefit (Dees et al. 2002; Harding 2004; Rey-Marti et al., 2016; Christie & Honig 2006; Mair & Marti, 2006). The urgent need to confront the various worldwide social and environmental challenges of the twenty-first century, combined with the increasing legitimacy of market-based approaches (Dart 2004; Marti & Mair 2009; Weerawardena & Mort, 2006, Fernando et al., 2021), has resulted in the emergence of social entrepreneurship and a surge in interest in the subject among policymakers, practitioners, and academic researchers (Wilson & Post, 2013).

Social entrepreneurs are committed to preserving or compassionately restoring the world. For them, care is both a goal for social enterprise formation and a method for achieving social impact (André & Pache, 2016, Jayawardhana et al.,2022). Moreover, increased openness and the availability of information have resulted in a greater

understanding of what is occurring with companies and their suppliers and consumers throughout the world. Corporations and social stakeholders (e.g., governments, customers, activists, environmentalists, and workers) pressure businesses to operate at a higher level (Meixell & Luoma, 2015). These demands place pressure on companies to provide economic advantages and environmental and social issues, a concept referred to as triple bottom line (TBL) or corporate social responsibility (CSR). The business stakeholders have a critical role in supporting, and sometimes impeding, this aspect of good management. Stakeholders are defined as any person or group that has the potential to influence or is influenced by an organization (Freeman, 1984). According to stakeholder theory, there should be a match between "the corporation's and its managers' ideals, stakeholder expectations, and the social challenges that will decide its capacity to sell its goods" (Freeman, 2004, p. 5). A stakeholder approach stresses proactive management of the corporate environment, connections, and the promotion of common interests, all of which are critical for long-term survival (Freeman & McVea, 2001). Delmas (2001) discovered a significant and positive influence of external stakeholder participation on competitive advantage (customers/clients, shareholders, community members, distributors, and regulatory bodies). Employees and mid-level managers are two key stakeholders inside the organization.

In this vein, social entrepreneurship research has received notable attention in recent years due to the unstable status of the global economy and the rising injustices and difficulties endangering social cohesion (Alegre & Berbegal-Mirabent, 2016). It is widely held that social entrepreneurs pursue business endeavors to create social value (Bozhikin et al., 2019). Because they care about specific situations or individuals and believe they have a duty to care for them (Bansal et al., 2019). Operating a social company is an ever-changing process (Gupta et al., 2020; Dwivedi & Weerawardena, 2018). It is a balancing act that requires strategic contemplation and analysis on the part of managers and stakeholders in order to achieve continued sustained effect via the incorporation of business strategy (Bull & Crompton, 2006). Further, some

established entrepreneurs, from start-up founders to well-established entrepreneurs, incorporate care into their businesses, either for the betterment of their workers or other external stakeholders such as NGOs, local communities, the natural environment, etc. This could occur in paternalist corporations, family businesses, small and medium-sized organizations socially responsible businesses, or businesses engaging in corporate philanthropy (Eirò-Gomes & Nunes, 2012; André & Pache, 2016).

Stakeholder pressure plays a dramatic role in this context since it is at the core of social entrepreneurs seeking corporate solutions to social challenges. Entrepreneurs and their many stakeholders communicate information to refine, adapt, and develop their goods or services to achieve greater levels of value creation (André & Pache, 2016). In a similar vein, researchers claim that for a social company, the emphasis should not be just on the client but also on other stakeholders to include and engage them in the project's social mission. Stakeholder participation is another critical component (Alegre & Berbegal-Mirabent, 2016). Social business models emphasize the necessity of considering not just consumers, suppliers, and other partners but also every stakeholder capable of comprehending and accepting the venture's social goal (Yunus et al., 2010). Mair & Schoen (2005) assert that value networks and complementary partners enable social value creation. Eirò-Gomes & Nunes (2012) posit that having a broader understanding of the stakeholders allows firms to satisfy their demands, ultimately contributing to significant changes that could evoke their lives. Firm and all stakeholders that are or may be impacted by the company, by managing the whole environment holistically and acting proactively to pursue solutions and simulate several scenarios concurrently.

Spear (2006) suggests that the image of the social entrepreneur as a "heroic individual" may be a myth in many cases and that success is frequently contingent on groups utilizing concepts of "distributed entrepreneurship" and "circles of entrepreneurial activity" that include a diverse range of internal and external stakeholders. Additionally, Reid & Griffith (2006) claim that "for social

entrepreneurs, double, treble, and quadruple bottom lines (i.e., profit, social benefits, environmental benefits, and community participation/empowerment) receive equal weight in evaluating the success of a social enterprise". However, as resource dependency theory (Salancik & Pfeffer, 1978) emphasizes, social entrepreneurs are likely to prioritize meeting the demands of stakeholders on whom they rely for critical resources while overlooking the requirements of resource-poor stakeholders. Defourny & Nyssens (2008) speculate that social enterprises are for-profit businesses that provide products or services directly tied to their express community benefit mission. They depend on collective dynamics, including diverse stakeholders in their governing bodies, value their autonomy, and face economic risks associated with their activity".

The present SE literature has a range of research examining the causes and effects of social entrepreneurship. SE outcomes and dependent variables have garnered academic attention since various scholars have recognized that pursuing objectives other than sales growth and profitability is a distinctive characteristic of social entrepreneurship (Mair & Marti, 2006; Vega & Kidwell, 2007). SE research is particularly concerned with social value creation (SVC), the difficulty of satisfying various stakeholders, and the durability and scalability of solutions developed in a SE setting (Moss et al., 2008). Nonetheless, the study literature on how SE businesses accomplish various objectives is relatively untapped. From a developing country's perspective, research on the link between social entrepreneurship and stakeholder pressure is far less focused. Therefore, understanding the nexus of stakeholder pressure in social entrepreneurship is salient. The identified void should be addressed by carrying out new knowledge. The underlying contribution of this study seeks to advance our understanding of social entrepreneurship from the standpoint of stakeholder pressure.

In line with the objective, numerous propositions will be proposed that demonstrate how research and knowledge from these fields contribute to a better understanding of social entrepreneurship. The next part describes our methodology for doing the

research, followed by the conceptual model we created based on this literature. Next, the past literature is analyzed in terms of the model's dimensions, and our results are discussed. A synthesis of the model structures' interrelationships results in various propositions. We then conclude the study by discussing the implications of the themes, missing themes, and research questions on the role of stakeholders in SE.

2. THEORETICAL UNDERPINNING

2.1. Social Entrepreneurship

The interest in social entrepreneurship (SE) research has grown in recent years, as indicated by the growth in the number of conferences, special issues, and research papers published in a range of journals (Moss et al., 2010; Jayawardhana et al.,2022). Moreover, social entrepreneurship (SE) is considered an emerging subject of research (Rubio & Fernández-Laviada, 2018) that has gained considerable interest. Due to globalisation, the concept of "social economy" is gaining popularity as a vibrant mechanism that offers notable retort during crisis times. Within this context, social economy firms assume a dramatic role in advancing sustainable growth (Palacios-Marqués et al., 2019). Recently, dramatic attention has been given to social entrepreneurship due to government interventions' ineffectiveness in reaching the standard of living of the disadvantaged society. Social firms may either reinvest their net profits or disperse them to their core stakeholder group. By participating in strategic alliances and agreements, such as with local governments, social entrepreneurs are anticipated to overcome their restricted access to finance markets. This results in a shift away from short-term initiatives and toward a longer-term, triple-bottom line strategy.

Social businesses are founded by individuals with intimate ties to the communities they want to benefit from. If the ultimate objective is to provide societal good, the underlying reason of these organizations must be ethical. Social businesses seek to maximize their good social effect, and ethical conduct makes this possible. Choi & Majumdar (2014: pp372) claim that SE is an "essentially contested concept," which

delineates "why it is so difficult to find a universal definition of social entrepreneurship and why it prompts different meanings among different parties." Social entrepreneurship benefits that these businesses are less reliant on financial markets and suffer less from the financial crisis (Birchall, 2013).

SE provide a fresh and creative approach to addressing difficult social issues, such as poverty, social isolation, and environmental degradation, while sustaining financial self-sustainability via market competition rather than gift or governmental support (Zahra et al., 2009; Pless, 2012). This interest in social businesses is commensurate with the rising pressure placed on commercial entities to engage in social and environmental projects that promote good societal change (Aguilera et al. 2007; Bronn & Vidaver-Cohen 2009).

Social entrepreneurship is 'a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs' (Mair & Marti, 2006, 37). Social entrepreneurship may be described as the capacity to identify opportunities to advance social value, while the social entrepreneurship process is characterised as creating, assessing, and pursuing opportunities for social change (Roberts & Woods, 2005). According to Zahra et al. (2009: 519), as with commercial entrepreneurs, social entrepreneurs are actively involved in entrepreneurial activities such as identification of opportunity, utilisation, resource mobilisation, and innovation to establish "a new venture or manage an existing firm in an innovative manner" in to accomplish their social mission. However, social entrepreneurship is not synonymous with charity, nor is it always unprofitable (Palacios-Marqués et al., 2019). Social entrepreneurs operate through social enterprises capable of efficiently utilising public and private funds (Trexler, 2008). While their structure, strategy, norms, and values differ from for-profit firms, they seek profitability to sustain themselves and create value. Mair & Marti (2006) provide a working definition of SE and emphasise the SE context's uniqueness. Further, they observe that social entrepreneurship may serve as a "fascinating playground for various philosophies and literature" (p. 37). In the literature, there are

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various delineations of social entrepreneurship, including the following: embracing social change through adopting innovation (Nicholls, 2008); meeting unmet demands in the society (Thompson et al., 2000); facilitating social value through market-based interventions (Bacq & Janssen, 2011); integrating social mission and commercial attributes (Dees, 1998); meeting unmet social needs through innovative approaches (McMullen, 2011); and innovatively pursuing opportunities. Social entrepreneurship is recognised as a prolific phenomenon that elevates women's empowerment (Datta & Gailey, 2012), eradicates poverty (Ghauri et al., 2014), create institutional change (Nicholls, 2008), brings about social revolution (Alvord et al., 2004), infuse inclusive growth in marketplaces (Azmat et al., 2015). Saebi et al. (2019) observe that most SE research focuses on a single level of analysis. However, since SE is fundamentally a multidimensional phenomenon, performing SE research at a single level misrepresents the phenomenon and risks missing out on possibilities for knowledge advancement that come with considering other levels.

2.2. Stakeholder Pressure on Social Entrepreneurship

A stakeholder is any person or group of individuals affected by or has the potential to impact an organization's capacity to accomplish its goals (Freeman, 1984; Jones 1995; cited in Lumpkin et al., 2013). While firms may have a range of stakeholders, the importance of those stakeholders to the company is contingent upon the strength, validity, and urgency of their demands (Mitchell et al. 1997). Stakeholders are defined as: "Any identifiable group or individual who can affect the achievement of an organization's objectives, or who is affected by the achievement of an organization's objectives" (Freeman & Reed, 1983, p. 91). Thereby, stakeholders that exhibit a mix of these attributes are particularly valuable in an organization's view.

The stakeholder theory of governance seeks to describe how organizations may prioritize and manage their relationships with specified stakeholders. The application of the stakeholder method to companies has been harshly criticized, primarily by advocates of the property or nexus-of-contracts models. On the other hand,

Stakeholder theory aims to rejuvenate managerial capitalism by expanding the scope of management's responsibilities, which were formerly limited to the shareholder, to include several groups of stakeholders (Freeman, 1984). Key argument is that the company, as a commercial entity, cannot be only concerned with stockholders as capital owners (Donaldson & Preston, 1995; Carroll & Buchholtz 2008). Businesses must bear in mind that several groups have an interest in how they do business, including workers, customers, suppliers, creditors, communities, governments, and the environment.

Entrepreneurs in the social sector must manage these conflicts resulting from varied, possibly contradictory stakeholder expectations because stakeholders impact how an organization conceives, analyses, and pursues chances to achieve its goal. In addition to providing access to vital financial and human resources, stakeholders enable an organization to fulfil its objective (Smith & Woods, 2015).

While companies handle social responsibility differently, one thing they all have in common is a greater focus on meeting and influencing stakeholders' expectations (Ying et al., 2021). In this context, it is clear that organizations encounter a peculiar challenge that goes far beyond just reconciling the interests and needs of the organization with those of its stakeholders. Du Toit & Lekoloane (2018) state that stakeholders are increasingly becoming concerned with the social responsibility of the firms with which they are linked. Therefore, workers and shareholders have a direct financial stake in those businesses that can ensure that their efforts result in financial gain. Notwithstanding, engagement with stakeholders does not necessarily guarantee responsible corporate behavior. Following that, the assertion that stakeholder engagement is associated with enterprise accountability to stakeholders is oversimplified (Xiao & Shailer, 2022).

Due to the fact that they combine the efficiency and resources of the conventional business model with the feeling of the purpose of the charity model, social enterprises may be exceptionally effective in solving difficult social problems (Austin et al. 2006;

Smith et al. 2013). The participation and management of stakeholders at the board level must be accessible to external examination, transparent, and well-defined. If the existence and management of stakeholders complicate the governance process, the legitimacy and efficacy of the whole process are under question. In addition, the extent to which stakeholder participation contributes value to social business activities must be visible in order to support their participation in board decisions. As the social business sector grows, competition for specific service contracts, such as the supply of public health services, is anticipated to increase (Ramus & Vaccaro, 2017; Mason et al., 2007). For a non-profit organization, the interests of the public and well-being come first. More than its success, a non-profit organization has a role to play in society. Hence the idea that a non-profit organization has to focus not on itself but on the interests and needs of the target public, seeing them as independent from the organization and with self-interests and needs. As a result, addressing stakeholder requests must be emphasized to achieve stable values. For example, employees want jobs with socially responsible businesses; consumers desire to purchase from companies that suit their requirements, and supplier's willing to cooperate with socially responsible organizations. This leads to a slew of appealing advantages for everyone. As a result, stakeholders are becoming more concerned with the firm's social and environmental stewardship (Freeman & Velamuri, 2006; Soobaroyen & Sheik-Ellahi, 2008).

Figure 1: Social entrepreneurship process model
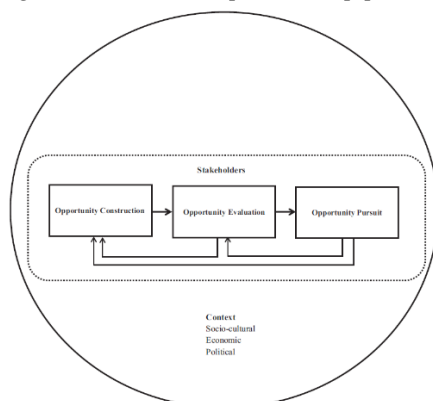
(Source: Adapted from Roberts & Woods, 2005).

The understanding of entrepreneurship is the 'processes of discovery, evaluation, and exploitation of opportunities' (Shane & Venkataraman 2000, 218). Figure 1 shows the three-stage process. The process begins with opportunities being seen as 'part of a construction process that involves the working and reworking of ideas and possibilities. These possibilities are then evaluated and pursued reflecting the quest for social change as opposed to the exploitation of opportunities for profit' (Roberts & Woods 2005, 49).

The process of opportunity building is essential for comprehending how social entrepreneurs handle stakeholders from the inception of their organizations. The founding is when intrinsic conflicts emerge, and vital choices are taken to meet the expectations of stakeholders (Wilson & Post, 2011). Opportunity assessment entails defining the project's limits and allowing stakeholders with resources to establish optimistic expectations for the result of the process (Perrini et al., 2010). By consulting their networks, entrepreneurs attempt to determine whether their concept is worth pursuing (Corbett, 2005).

It is essential to manage stakeholders while obtaining resources. Entrepreneurs demand resources from stakeholders since they often do not own all the resources necessary for firm development (Venkataraman & Sarasvathy, 2001). As resources are limited, social entrepreneurs acquire and combine them via creative and entrepreneurial tactics (Mair & Marti, 2006). Management of stakeholders in the context of social entrepreneurship differs from managing stakeholders in the setting of commercial entrepreneurship because stakeholders are seen as being on a more equal footing (Mort et al., 2003). Social entrepreneurs must take into consideration the interests of all stakeholders when determining how to accomplish both social and economic goals (Dacin et al., 2011).

3. METHODOLOGY

The overriding aim of this study is to acquire feelings, experiences, options, interpretations, and subjectivities of the stakeholder pressure in social entrepreneurship within the Sri Lankan context. The interview transcript was developed to discover the dimensions of stakeholder pressure. The participants were 32 social entrepreneurs from different areas such as manufacturing and service sector organizations in Sri Lanka. Additionally, a focus group interview was also conducted to listen and garner information from a group of social entrepreneurs, who can provide rich and in-depth data on how they view and perceive the stakeholder pressure when undertaking social entrepreneurship specifically in Sri Lanka. Therefore, participants in this kind of research are chosen based on the criterion that they have something to unveil about a specific issue, are within the relevant age range, have comparable socio-cultural traits, and are comfortable speaking with the interviewer and each other (Richardson & Rabiee, 2001). Further, the maximum variation sampling technique is one of the evolving and robust sampling methods employed in the management and entrepreneurship discipline. Maximum variation sampling enables the achievement of notable findings that are more representative than those obtained from a random sample in the face of data scarcity. Therefore, this study adopted the Maximum variation sampling method to glean information from the informants. The logic of maximum variation sampling is to get "information-rich cases…from which one can learn a great deal about issues of central importance to the purpose of the evaluation" (Patton, 1987).

4. INTERVIEW INSIGHTS ON STAKEHOLDER PRESSURE IN SOCIAL ENTREPRENEURSHIP

Frequently, social businesses are entities founded for production intentions and built on stakeholder networks with varied interests and motives. It is natural for them to be developed to address requirements that would otherwise be ignored for political, economic, or administrative reasons (Borzaga et al., 2016). Different stakeholders have varying effects, and they use different techniques to promote the adoption of

sustainable management practices. External stakeholders, such as governments, non-governmental organizations, and communities, can influence or mobilize public opinion (Meixell & Luoma, 2015), while internal stakeholders, such as employees and managers, can result in proactive environmental strategies (Sarkis et al., 2010). The diverse variety of stakeholders includes both internal and external stakeholders.

Every social venture must carry out a social objective and operate sustainably while managing stakeholder objectives. Social entrepreneurs are under pressure to accomplish social progress while running a business, and integration of these aims might lead to conflict (Diochon and Anderson 2011). Internal and external stakeholders may advantage the enterprises in varying. Based on the collected data, some of the informants revealed that they are engaging with employees' and owner managers' knowledge and ideas to operate the social enterprise to achieve social goals. "*As a result of those kinds of employers' experiments, other farmers were able to find such innovative solutions. Actually we are still using that technique and it does not contain any harmful chemicals or effects.*" Stakeholder intervention in operating social ventures able to achieve the social mission of the enterprise. Similarly, Smith & Woods (2015) revealed that stakeholders allow the organization to accomplish its objectives by providing it access to the necessary human and financial resources. Moreover, trained employees within the enterprise add value to the business operation. "*So if someone joins newly, then I can ask those 5 employees to train that person…*" various stakeholders in social enterprises act as implementing partners, in community growth, skill sharing, and knowledge creation (Kummitha, 2020). Similarly, one of the social entrepreneurs revealed that *"We capture new ideas through the brainstorming sessions of employees."* One of the major groups of stakeholders is the employees, and proper management of their interests may boost employees' loyalty to the enterprise, which indirectly affects performance (Branco and Rodrigues, 2006; Ortiz-de-Mandojana and Bansal, 2016). *"Thimble always creates new knowledge through ideas of the employees. I use my past experience in the industry to enhance the enterprise's performance".* The management pressure on

employees creates a vital impact to make innovative suggestions. "*As the owner of this hotel, I asked my staff to generate and share new ideas, and suggestions that can implement within our area. That is the way I come up with a new product line. It is really effective in my enterprise to achieve the sustainable business idea.*"Management intervention in social enterprises has a positive influence on achieving social missions while gathering needful human and monetary facilities (Smith & Woods, 2015). Hence, we put forth the following research proposition:

P1: Internal stakeholder pressure impacts on social entrepreneurship

In comparison to commercial firms, social entrepreneurs are likely to engage a far broader range of stakeholders. One interviewee state that "*Monitoring according to the customer feedbacks, materials, actually in other hotel I have 100 KW of solar power. The hotel is operating with the solar power, the electricity. Sustainability is there. Other one is treatments plants. Around 12000L waste water treating every day.*" Another participant reveled that "*So, there are 154 hotels we have arranged a training programme for Trincomalee girls and boys by the World University of Services, Canada they are funded around 20 million they are funded for the training programme. First the World University of Services, Canada…WUS. Around 200 youngers, the girls and boys are trained and distributed to all hotels in Trincomalee District.*" In commercial contexts, investors, workers, suppliers, and customers of the products and services are necessary for firm success and, therefore, the most potent stakeholders since they have a fiduciary and legitimate interest in the venture. Other stakeholders—nonfiduciary stakeholders—such as local inhabitants, government agencies, or the community in which a business enterprise operates may have less legitimacy, influence, and urgency for commercial business (Lumpkin et al., 2013). One informant manifested that *Moreover, NGOs helped us and they encourage us towards these social service activities. Further, they agreed to pay salary for about 3 or 4 members in our society as well. As a result we formulated many women's societies and worked against social injustices and we registered our society in 2002 to legalize.*

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Multi-stakeholder social enterprises are seen as "systems of incentives" able to boost the engagement and productivity of the firm's diverse stakeholders. As a result of their increased participation and institutional acknowledgment, these stakeholders are tending to acquire a deeper feeling of belonging to the firm and to exert more effort towards achieving shared goals. "*As example farmers who cultivate vegetables such as beans and cabbage in Badulla, Bandarawela, Milawatta and Boralanda areas were using pesticides in higher dosage. Those farmers joined with our trainings and once they completed the training they used to place their honey bee colonies close to their vegetable farms. Those farmers got disappointed when those bees were dying. As a result of this most of the farmers stop and limit the usage of harmful pesticides. Sometimes we introduced non-chemical pesticide alternatives for those farmers. Actually usage of those non-chemical pesticide alternatives did not result in decreasing their harvests. So they can get the same amount of production once they shift to non-chemical pesticide alternatives as well. This means our people are having myths about those concepts. When people start working with animals they used to love them. Thus, they cannot allow them to die. Because of that they limited the usage of harmful chemical pesticides. As I observed, they have to manage those issues small period of time. After that everything become normalizes.*" The stakeholder strategy is centered on managing the corporate environment, its connections, and promoting shared interests, all of which have an effect on long-term survival (Freeman & McVea, 2001). The literature indicates that enterprises are compelled to adopt sustainable management practices by a variety of stakeholders, including rivals, governments, communities, non-governmental organizations (NGOs), and consumers (Sarkis et al., 2010). Different stakeholders have varying effects, and they use different techniques to promote the adoption of sustainable management practices and providing financial aids to achieve social objectives. "*Even though the Canadian government ready to spend the training program our people they don't like to come. Our culture, because our Sri Lankan girls, especially Tamils and Muslims they don't like to give their daughters to working in the hotel industry. According to their culture*

and they are thinking that hotel area is misusing or something. The misunderstanding of the parents." "Moreover, organizations like "Chrysalis" gave equipment which worth 20, 15, and 14 lakhs to our entrepreneurs." In a management perspective, the past literature claims stakeholder pressure assumes a pivotal part in evoking and impeding the adoption of sustainable management practices. Additionally, rising environmental and social concerns have led to strong voices from a vast range of stakeholders, impacting the institutional environments whereby businesses operate and growing dynamic pressure on businesses to mitigate the environmental and social impacts of not only their own operations (Helmig et al., 2016; Freeman, 1999) but also the operations of their wider supply chain (González-Benito & González-Benito, 2006). As a result, larger societal issues such as corporate social responsibility and environmental stewardship have emerged as dominating topics in both thought and practice. The stakeholder theory advocates for a match between the corporation's values and those of its management, as well as between the stakeholders' expectations and the social concerns that will decide a firm's capacity to trade its goods. One informant stated that "*As an example, consider about environmental certificate. I am constructing new building in industrial zone to take this business to there. Sometimes, you may not believe this… I had to wait three months to obtain this environmental certificate. As a result of that delay I would be lost the ownership of the land, and I obtain the ownership at the last moment. Actually they can issue environmental certificate for a business like beekeeping within one day as it is an environmental friendly business. Sometimes it will take considerable time to issue that certificate to other businesses, but my business is totally environmental friendly business and they do not need to carry out any assessments or long observations to issue that."* Another informant manifested that *"Because all this JKAB landscaping is my own idea. So, other award received on 1st of March is European travel agent program. This is an award 4000 hotels were selected for this competition around the whole. They are selected only 50 hotels out of 4000. Eco tourism hotels, so I'm selected for that award. This also selected for the best hotels in Sri Lanka for eco-friendly environmental hotels."* *Based on these* information, it confirmed varying stakeholders in social

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enterprises have different perspectives and they are more likely to experience the enterprise goals and put more effort to attain shared objectives. Accordingly, we put forth the following research proposition:

P2: *External stakeholder pressure effects on social entrepreneurship*

5. IMPLICATION FOR THEORY AND PRACTICE

Stakeholder theory provides the moral rationale for the management of many groups that influence or are influenced by an organization. From the standpoint of social enterprise governance, these groups are explicit and governance procedures should prioritize their interests. Typically, in a social company, decisions are taken jointly and by establishing agreements among all stakeholders, including employees at all levels. This will inevitably prolong the decision-making process.

This research demonstrates that internal and external stakeholders are engaged in the whole entrepreneurial process via a variety of motives and actions. This analysis contributes to numerous theoretical and practical contributions to social entrepreneurship literature and practices by confirming the positive effect of internal and external stakeholder pressure on the development of social enterprises (Branco and Rodrigues, 2006; Ortiz-de-Mandojana and Bansal, 2016) and highlighting the importance of understanding their challenges. The participation of diverse stakeholder groups in the decision-making and consultation processes of a social business was resource-intensive. In addition, the firm was able to build resources for producing and delivering social value and realizing its social goal through maintaining relationships with stakeholder organizations (Kummitha, 2020). Moreover, this research demonstrates that social companies are responsible for satisfying the individual needs and desires of their stakeholders. Different stakeholders have distinct identities, and our research reflected each of their focuses. Identifying, comprehending, and integrating stakeholders actively engaging in the

social purpose successes of social enterprises increases the development and expansion of SEs.

Social companies seem to rely far more on the goodwill and motivation of their employees and other stakeholders than standard commercial firms since they are often less financially stable. The amount of trust is key, and the connection between a social company and its employees is often more "organic," based on trust, yet critical to the organization's success. Our findings suggest that governance is essential to the management of stakeholders in order to be entrepreneurial while being accountable. Stakeholders help organizations on the basis of their legitimacy, which is achieved by producing stakeholder value, complying with current social institutions, and developing new operational models, practices, and ideas.

Stakeholders are more concerned about the social responsibility of the firms they are linked with. Consequently, employees and shareholders have a direct financial interest in those companies, which may ensure that the actions of a company result in financial gain. According to the study's findings, stakeholder-focused business practices and a stakeholder-centric corporate culture strongly predict social entrepreneurial success. In addition, the findings are consistent with the theoretical implications of prior literature studies. This study enhances the theoretical concepts of stakeholder pressure and the adoption of stakeholder practices. Consequently, this research is significant because it contributes theoretical knowledge to stakeholders. The conclusions of this research have practical implications for international businesses, governments, workers, labor, civic organizations, and the media. The study is crucial for businesses to comprehend themselves and begin reevaluating their stakeholder pressure strategies.

6.   CONCLUSION

The topic of social enterprise and stakeholder pressure provides several potentials for conceptual and empirical research expansion. Unprecedentedly, social enterprises provide practitioner, academic, and policymaker communities with several chances

to comprehend the transformational capacity of socially-oriented organizations. There is a growing amount of literature on stakeholder pressure and social enterprise at the current time. The purpose of this research was to comprehend how stakeholder pressures are controlled in the social entrepreneurship process. Through our examination of a focused group interview with a variety of social businesses, researchers have determined that stakeholders are the key facilitators of business success, and as a result, enterprises must devise convincing tactics for stakeholder pressure.

Lucidly, the resource dependency theory (Hillman et al., 2009) contends that organizations lack self-sufficiency because they do not possess the resources necessary for survival. In order to survive, they must engage with their surroundings to get the resources, including money, physical assets, human capital, information access, and social standing. Organizations that own these resources have access to them or have the authority to control access to them, gaining influence from this reliance on outside resources. They have the authority to compel an organization that relies on resources to do certain acts, and the latter must respond to those external demands in order to exist: "Organizations really cannot survive if they are not sensitive to the demands from their environment" (Hillman et al., 2009). The study's findings claim that in contrast to other forms of organizations in Sri Lanka, social enterprises are more likely to be founded via a process of collaborative/collective entrepreneurship that often embodies a variety of actors who have a "stake" in pursuing one or more organizational purposes. Moreover, the inclination to include their beneficiaries, supporters, funders, or partners in their governance structures seems to be greater for social businesses than for other players with whom they deal. By recognizing stakeholders other than investors' ability to legally participate in the governing bodies, they often adopt legal frameworks that enable and foster economic democracy in the country. Stakeholder participation in social companies must thus be linked with their organizational resource requirements. The examination of social enterprise resources in this section will be limited to financial resources due to space

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considerations. Social business resources are inextricably intertwined with the social mission of these organizations, as will be further explained below.

7. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

It would be possible to examine stakeholder involvement practices in a broader sense by deepening case studies in iconic social enterprises in Sri Lanka. Specifically, this would allow us to examine stakeholder involvement practices through formal governance structures and more informal, day-to-day organizational practices, where power struggles and interactions between various social groups within and around social enterprises would be more apparent. The identification of a set of variables describing how stakeholder participation practices change and the degree to which this may be related to resource-seeking tactics, legitimizing tendencies, or other aspects would benefit greatly from further research. This would allow it to include stakeholder participation methods in creating a social enterprise governance life-cycle model (Miller-Millesen, 2003; Rijpens, 2010).

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