

# Social Value, Economic Justice Practices and Social Performance

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# Social Value, Economic Justice Practices and Social Performance

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**Abstract**—The purpose of this study is to investigate whether social value is developed in social business organizations to improve economic justice practices and improve social performance. This study also examines the mediation of economic justice practices in improving the social performance of social entrepreneurship. To test the proposed hypotheses, this study conducted survey among 86 leaders of social entrepreneurship in Indonesia. The findings indicate that human dignity influences shared prosperity, solidarity and subsidiarity. However, the three values also affect the social performance but there is no need to use economic justice practices. This research shows the value of human dignity as the starting point for other social values.

**Keywords:** social value, economic justice practices, social performance

## I. INTRODUCTION

Social enterprises are growing into an important organization in the economic market. Their purpose more than merely profit, firms which set a broader objective tend to be more successful than those which pursue only the maximization of profits [1]. The primary focus is on the creation of social value [2]. Social value is a manifestation of stakeholder theory which is a managerial strategy and ethics [3]. There are defined and measured in terms of the weights that individuals assign to their own and to others outcomes [4]. So, it is necessary to manage limited resources to meet the necessities of life with the aim of achieving common prosperity, which is called the economic justice practices. Catholic Social Teaching is one that underlies the economic justice practices. The values of Catholic social teaching are human dignity, subsidiarity, solidarity and common wealth.

Human dignity refers to the intrinsic worth or value of every human being. Individual human beings are the foundation, the cause and the end of every social institution [5]. Thus, equality Human dignity is the perception of individuals who cannot be sacrificed in the pursuit of economic interests. Human dignity becomes the basis of individuals to behave in solidarity. Solidarity as being the most responsible approach to take by society [6]. The meaning that individual must be to jointly see the problem, find and design a solution. In addition there is subsidiarity which is interpreted as everything that is done by smaller units may not be taken over by larger units.

This principle, holds that a larger and higher ranking body should not exercise functions which could be efficiently carried out by a smaller and lesser body [7]. Shared prosperity is the other value with the principle that each and every person must have access to the level of well-being necessary for his full development [8].

Economic justice practices is expected to improve when the behaviour of organizational members is based on human dignity, solidarity, subsidiarity and shared prosperity. In the end it will improve social performance. The research was developed to determine the relationship of social values, namely human dignity, subsidiarity, solidarity and prosperity together with economic justice practices and social performance. The result show that human dignity influences shared prosperity, solidarity and subsidiarity, but human dignity does not play a role in economic justice practices. Economic justice practices is only influenced by the values of solidarity. Meanwhile human dignity influences social performance through solidarity and subsidiarity.

## II. LITERATURE

### A. Social Enterprise and Social Value

Stakeholder theory shows that organizational decision makers interact with business entities such as employees, suppliers, local communities, creditors, and others [3]. It discusses morals and values in managing organizations, such as those related to corporate social responsibility and social entrepreneurship [10].

Over the last 20 years, social enterprises have increasingly attracted the interest of scholars [11,12] and practitioners [13]. Indeed, they represent an innovative way to tackle complex social problems, such as poverty, social exclusion, and environmental damage while maintaining conditions of financial self-sustainability through market competition rather than donation or public funding [14,15]. Pro-social values is central to organizational functioning in SE [16]. The importance of values is acknowledged almost universally in the social entrepreneurship literature [17,18]. Four social values that can underlie economic activities with a humanistic approach are human dignity, subsidiarity, solidarity and shared prosperity [19].

Economic justice practices are economic practices that are based on moral principles that guide individuals in designing economic institutions that determine how everyone makes a living, enters into contracts, exchanges goods and services with others, and produces an independent material basis for their economic sustainability [20]. This practice is part of the social responsibility of economic entities towards the stakeholders. The performance of social enterprises is understood as an aspect of the sustainability of social enterprises [21]. The former researchers understood performance of social enterprises as delivering positive social and economic impacts to the community [22], whereas the latter understood it as financial or economic viability that is commercially sustainable and used the term "sustainability".

**B. Hypothesis Development**

Values are standards for judgment and behaviour that serve as guiding principles in our lives [23]. Values are the beliefs we hold about what is good, right, and desirable for ourselves and others. Social value according to CST is respect for human dignity, solidarity, subsidiarity and shared prosperity. Human dignity refers to the value or intrinsic value of every human being. Individual human being is the foundation, cause and end of every social institution [5]. Human dignity becomes the basis of individuals to behave in solidarity. Solidarity as the most responsible approach to be taken by the community [6]. Subsidiarity which is interpreted as everything that is done by smaller units may not be taken over by larger units. This principle, holds that a larger and higher ranking body should not exercise functions which could be efficiently carried out by a smaller and lesser body [7]. Shared prosperity is the other value with the principle that each and every person must have access to the level of well-being necessary for his full development [8].

- H1. There is a correlation between Human dignity to (a) Solidarity, (b) Subsidiarity, and (c) Shared prosperity

Many practitioners and theorists emphasize "entrepreneurship" as a key element of social entrepreneurs, especially in comparison to commercial entrepreneurs. Ashoka suggests that social entrepreneurs are entrepreneurial, creative, and agenda-setting [18]. Leadbeater proposes that social entrepreneurs are more innovative than other entrepreneurs in that they find ways to meet social needs that are not met by utilizing the scarcity of resources [20]. Based on previous work, it can be concluded that social entrepreneurs are innovative. The innovation can be seen in the practice that is carried out based on the values that are believed to be like economic justice practices.

- H2. Human Dignity influences the economic justice practices through (a) Solidarity, (b) Subsidiarity, and (c) Shared prosperity.

Researchers understand the performance of social enterprises as having positive social and economic impacts on society [22], while the latter understand it as commercially viable financial or economic viability and use the term "sustainability". One characteristic of social enterprises is the existence of social missions based on social values. Respect for

human dignity becomes the basis of individuals to behave in solidarity and other values. So the form of the hypothesis is as follows:

- H3. Human Dignity influences the social performance through (a) Solidarity, (b) Subsidiarity, and (c) Shared prosperity.

**III. METHODS**

**A. Data Collecton**

Data collected by questionnaire that distributed to obtain primary data. A random sample was used in the study. The survey, which was prepared and sent by online, was sent to management of social organizations and questionnaire collected from 86 managers. Data analysis method uses the Partial Least Square (PLS) program. The use of PLS software refers to several considerations, (1). Relatively small sample size between 30-100; (2). Using path analysis and variables with multi indicators; (3) automatically outputs the coefficient of direct effect and indirect effect.

**B. Variables**

This study uses 6 variables where the definitions are shown in table I.

TABLE I. VARIABLES AND THE DEFINITION

Variable	Definition
Human dignity	Individual perception that humans should not be sacrificed in the pursuit of economic interests
Solidarity	Individual perceptions of solidarity to jointly see the problem, find and design a solution
Subsidiary	The individual's perception that everything done by smaller units should not be taken over by larger units.
Shared prosperity	Individual perceptions that everyone has the responsibility to improve the quality of life of citizens at the most.
Economic Justice Practices	The art of managing the necessities of life with limited resources with the aim of shared prosperity
Social Performance	Fulfillment of intention to increase individual interaction within a group and improve well-being

**C. Research Model**

The model is designed to determine the effect of social value on economic justice practices and social performance both direct and indirect effect. Figure 1 illustrates that human dignity is the basis of the behaviour of the values of solidarity, subsidiarity and shared prosperity. This influence will affect the behaviour of the economy of justice and will ultimately increase social performance.

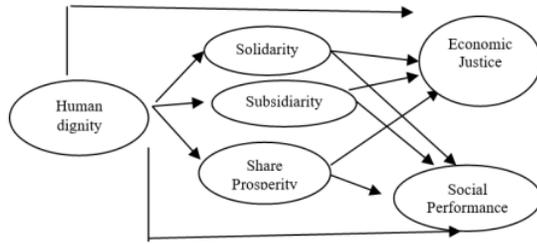


Fig. 1. Research model.

IV. RESULTS AND DISCUSSION

A. Validity and Reliability

Testing the validity by comparing the discriminant validity with the square root of average variance extracte (AVE). Table 2 shows that all of variables provide AVE values greater than

0.50. This means that discriminant validity in this study has been achieved. To test the reliability, this study using the criteria of the composite reliability. The result show that variables of human dignity and shared prosperity lacking a bit of reliable, while the other variables are reliable.

TABLE II. VALIDITY AND RELIABILITY

Variable	AVE	Composite Reliability
Human Dignity	0,563	0,679
Solidarity	0,686	0,814
Subsidiarity	0,587	0,738
Shared Prosperity	0,531	0,684
Economic Justice Practices	0,651	0,788
Social Performance	0,703	0,877

B. Hypothesis Testing and Discussion

The hypothesis is tested using three models. The output of the analysis using the PLS program is shown in the following table.

TABLE III. OUTPUT OF DIRECT AND INDIRECT EFFECT OF HUMAN DIGNITY TO ECONOMIC JUSTICE PRACTICES AND SOCIAL PERFORMANCE

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Values
Model 1: The Correlation of Human Dignity (HD) to Solidarity (SO), Subsidiarity (SU) and Shared Prosperity (SP)					
HD → SO	0,479***	0,486	0,103	4,643	0,000
HD → SU	-0,494***	-0,520	0,124	3,971	0,000
HD → SP	0,524***	0,533	0,088	5,963	0,000
Model 2: Direct and indirect effect of Human dignity on Economic Justice Practices (EJ) through Solidarity, Subsidiarity and Shared Prsperity					
HD → EJ	-0,031	-0,026	0,142	0,215	0,830
SO → EJ	0,637***	0,600	0,200	3,188	0,002
SU → EJ	0,026	-0,033	0,180	0,143	0,886
SP → EJ	-0,169	-0,143	0,117	1,453	0,147
HD → SO → EJ	0,178	0,148	0,149	1,190	0,235
HD → SU → EJ	-0,013	0,019	0,101	0,125	0,900
HD → SP → EJ	-0,091	-0,078	0,066	1,370	0,171
Model 3: Direct and indirect Effect of Social Value on Social Performance (PER) through Economic Justice Practices					
HD → PER	0,126	0,073	0,151	0,832	0,406
SO → PER	0,335***	0,309	0,126	2,654	0,008
SU → PER	0,304**	0,266	0,124	2,455	0,014
SP → PER	0,131	0,163	0,138	0,946	0,345
HD → SO → PER	0,156**	0,147	0,076	2,069	0,039
HD → SU → PER	-0,150**	-0,129	0,069	2,161	0,031
HD → SP → PER	0,069	0,087	0,076	0,906	0,365

Based on the results of testing model 1 it can be seen that the perception of human dignity significantly influences the perception of Solidarity, subsidiary and shared prosperity. Human Dignity has a positive effect on Shared prosperity and Solidarity, but has a negative effect on subsidiarity. This is possible because subsidiarity is often interpreted as a form of help to other parties [6], so understanding of the meaning of human dignity has a negative impact on the practice of subsidiarity in the form of help. So the hypothesis which states that: there is a correlation between Human dignity to (a) Solidarity, (b) Subsidiarity, and (c) Shared prosperity, is accepted.

Model 2 is used as an analytical model for testing hypothesis 2 that Human Dignity influences the economic justice practices through (a) Solidarity, (b) Subsidiarity, and (c)

Shared prosperity. The results show that only solidarity is related to an economic justice practices. While subsidiarity and Share Prosperity do not have a significant effect on economic justice practices. Based on this model economic justice practices is built based on the values of solidarity. In this model, human dignity is consistently influencing the subsidiarity dan shared prosperity, but it does not affect solidarity. It can also be seen that shared prosperity and subsidiarity do not affect to economic justice practices but more influenced by solidarity. So it can be stated that human dignity does not play a role in equitable economics and hypothesis 2 is rejected

Model 3 examines the effect of human dignity on social performance through shared prosperity, solidarity, subsidiarity. The results show that human dignity influences shared

prosperity, solidarity and subsidiarity, consistent with the results of testing model 1. Meanwhile human dignity does not directly influence the social performance. The social values that influence social performance are solidarity and subsidiarity, while shared prosperity has no effect. Based on these two models, it can also be seen that the role of human dignity in social performance occurs through solidarity and subsidiarity, so the hypothesis that human dignity influences social performance through solidarity and subsidiarity can be accepted. As for the hypothesis that human dignity influences the social performance through shared prosperity is rejected.

As a whole can be known that human dignity is a very important factor in efforts to respect human values [9], individual human beings are the foundation, the cause and the end of every social institution. Although in this study human dignity does not directly affect to economic justice practices and social performance but it influences through solidarity, subsidiarity. It mean that human dignity is an important component for building economic justice practices and improving social performance. Economic justice practices that we expect to improve when the behaviour of organizational members is based on human dignity, solidarity, subsidiarity and shared prosperity do not occur. This might be due to the community's lack of understanding of the economic justice practices.

#### V. CONCLUSION

From the result, it can be seen that human dignity influences solidarity, subsidiarity and shared prosperity, but human dignity does not play a role in economic justice practices. There is only influenced by the values of solidarity. Meanwhile human dignity also plays a role in social performance through the values of solidarity and subsidiarity. It mean that human dignity is an important component for building economic justice practices and improving social performance.

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