Chapter 8
Social Accounting in the Social Economy:
A Case Study of Monetizing Social Value

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ABSTRACT
This chapter was based on one of the largest Spanish cooperative groups, which is part of the social economy sector (SES). Added value is a useful concept; however, after analyzing this case, the authors found that social accounting provides additional information about the social value that companies generate. Then, by applying social accounting complemented by a value-added statement, these companies belonging to the SES can quantify, monetize, and compare their social value and added value, and demonstrate their contribution to society. Social accounting is necessary to demonstrate and understand the value of social economy companies, since their value is not always fundamentally centered on commercial activity; at least not only. They can monitor their effort in terms of specific social values that are not part of the market. Because of this, their value is not reflected in traditional financial statements.

INTRODUCTION
Social value and social impact are becoming increasingly important in business because the social value explains their contribution to the society in a holistic way. As a whole, society is becoming more concerned about social issues, developing a new social consciousness about the role of companies and their social legitimacy. Companies are in the spotlight: they are expected to generate not only economic value but also social value. Although hundreds of years of development and study have created a good

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accounting system that provides good information and understanding of the economic-financial situ-
ation of an organization, this system cannot reflect in monetary units the social value generated by
organizations. However, another powerful line of research exists in both the sociological (Hopwood &
Miller, 1994; Miller, 2001) and economic (Gray et al., 1997; Gray, 2002) literature. Both lines of re-
search have practical applicability in a social accounting model with some relatively similar principles
as the economic-financial accounting model (Retolaza et al., 2015; 2016). The goal of this study was to
determine the differences between the application of traditional accounting and this social-accounting
model, which is based on economic-financial principles and using monetary units, when applied to the
Social Economy Sector (SES).

BACKGROUND

From a classical perspective, several accounting paradigms exist (Belkaoui, 2004). In terms of selecting
the social value analysis model, highlight that social accounting is based on the economy-information
and the utility-decision paradigms. Beyond these characteristics, the connection of social accounting with
stakeholder theory (Freeman, 1984) allows us to expand the scope of usefulness of social value measure-
ment from the framework of agency theory (Jensen and Meckling, 1976) to a framework of fiduciary
responsibility for stakeholders, where all stakeholders in the organization are interested in identifying
the value that they perceive (Boatright, 2008). Social accounting is a new method capable of visualizing
the value generated by companies and organizations in society. Social accounting is relevant for both
type of companies: for those companies oriented toward social entrepreneurship, and for social economy
(Yunus et al., 2010; Velamuri et al., 2015). Social accounting is a tool that can be used to address the
Jensen paradox in the governance problem (Jensen, 2002) because social accounting could be the instru-
ment for managing organizations that are oriented toward multiple stakeholders (Freeman et al., 2010).

With social accounting (Gray, 2002; Retolaza et al., 2016), it is possible to identify and quantify
the distribution of value between the various stakeholders of an organization. Thus, the entities with an
explicit social purpose may benefit from this type of accounting because it can be used to visualize the
value of the non-market, which is ignored in the accounting techniques exclusively dedicated to market
transactions. The aim of this study was to compare social accounting, which incorporates specific social
value for stakeholders, with accounting based on economic and financial data using a group of social
companies. A broad comparison between commercial and social companies, using the gap between eco-
nomic and financial information and social accounting as an instrument, would be beneficial; however,
this would require a significant number of companies of both types to implement social accounting.
Although this may be feasible in the short-term, the data currently available (Retolaza & San-Jose, 2018)
do not allow for the comparison.

Many entities in the Clade group, which refers to the social economy in Catalonia (Spain), are
implementing social accounting, following the polyhedral model proposed by Retolaza et al. (2016).
So, with these companies, it was possible to analyse the data produced by applying social accounting in
Clade to identify whether the use of this model provides any different information in comparison with
traditional accounting. This comparison would allow a differential analysis of the decision process to
increase the created social value.