RUNNING HEAD: MANAGEMENT

Management Accounting

 [Name of the Student]

[Name of the Institution]

Social Management Accounting

# Introduction

           The broad idea of entrepreneurship is associated with different practical aspects of consideration. It is noteworthy to mention that the idea of sustainable business is changing over time concerning different interrelated aspects. The practical idea of corporate social responsibility (CSR) is recognized as one preferable domain for the corporate stakeholders for many years. This specific concept of business development is recognized as a self-regulating business model to successfully achieve the target of social accountability effectively and efficiently (Doherty et al., 2014, pp. 430). In recent times, there are many corporate organizations that invest a huge amount of their overall cost on the practical execution of corporate social responsibility (CSR). It is critical to indicate that with time, the practical approach of CSR is dramatically replacing by the emerging paradigm of accountability. It is observed that currently, business organizations are more focusing on regulating their corporate regulations as compared to the practical prospect of CSR. The changing spectrum of corporate functioning and accountability can be observed in the form of operations of community interest companies (Clark et al., 2010, pp. 3995). This paper focuses on critically examine the entire scenario of accountability to make better inferences about the specific argument that community interest companies sufficiently consider the needs of communities.

# Discussion

           The changing spectrum of the corporate sector can be identified in the form of an emerging approach to the development of community interest companies. It is vital to examine how the trend of community interest companies can be categorized as the suitable replacement of the CSR. The evaluation of the emergent prospect of community interest companies (CIC) is mandatory to determine the suitability of new ideas in the case of corporate organizations (Murray, 2012, pp. 485). CIC is established as the updated business model to achieve the target of accountability in an appropriate way. It is interesting to comprehensively examine the implications of CIC to determine the actual significance and usefulness of this new idea as compared to the business model of CSR.

Introduction to Community Interest Companies (CIC)

           The approach of analysis requires a proper understanding of the practical idea of community interest companies. Proper consideration of the actual functions of CIC is important to measure to make better decisions about the suitability of this concept in the context of the overall welfare of the communities. A community interest company is identified as the business with the active consideration of primary social objectives (Battiliana et al., 2012, pp. 10). These domains can be recognized as the domains whose excesses are predominantly reinvested to achieve different business or community objectives.

           CICs are characterized as limited companies that are crafted to provide necessary benefits to a community, or a particular area of the community. It is necessary to consider that the operations of CICs are established as the flexible form of business operations related to the successful access to diverse financial options. This type of corporate organization is defined as a suitable form of the application when it comes to achieving different social aims and objectives (Murray, 2012, pp. 485). Currently, there are many corporate companies focus on established their position as the CIC by defining their clear social purpose. It is crucial to indicate that the operations of CICs can never be considered as the approach of charities. The corporate idea of CIC is different from charity because the ultimate goal of CIC is to meet the target of profit/surplus financial means to support the community whereas charity is defined as not for profit organizations. It is expected by the CIC that management focuses to reinvest their domain of surpluses to enhance their work domain and successfully contribute to the community (Agafonow and Donaldson, 2015, pp. 10). This practical idea is linked with the upgraded form of accountability to meet potential business and community goals.

Operations of CICs

           It is important to understand the entire functioning procedure of CIC to determine its suitability and effectiveness in case communities. It is viable to examine how operations of CICs plays a critical role by adequately considering the domain of communities (Battilana and Dorado, 2010, pp. 1420). There are some specific rules and practical implications related to the broad operating idea of CICs.

* It is obligatory for the community interest companies to have an adequate form of asset lock. This approach is identified as the specific condition that the company is not able to generally deliver its profits or resources for less than their approach of full market value.
* The perspective of shares adopted by CIC as the organization permits to consider the option of issuing shares that pay a capped dividend value to all the investors. The benchmark is set by the CIC controller to ensure the proper suitability of an asset lock.
* The operations of CICs can also be examined in case of presentation of annual community interest company report along with the approach of annual accounts. The central aim of this documented report is to define the performance position of the CIC in the form of pre-specified community interests.

Consideration of Communities by Community Interest Companies

           A critical evaluation of the processes of community interest companies is a mandatory approach to determine the consideration of communities by the practical idea of CICs. The conventional form of business operations is replaced by the adequate combination of business and charities to meet the objectives of profitability and welfare of the communities. Consideration of philanthropic endeavors creates the main difference between the functioning of traditional forms of corporate organizations and CICs (Nicholls, 2009, pp. 750). The nature of CICs is the difference between the traditional business form referring to the adequate consideration of the community’s needs and welfare.

           The active consideration of communities in the form of CICs can be mainly observed in the form of their role as social enterprises. The authority of power is used by the CICs to provide necessary benefits to the selected community by assuring different services of improvement and development in the case of the entire environment (Baker, 2015, pp. 200). The primary aim of CICs is to consider the underprivileged area of the community and ensure the availability of better services.

           The active business operations of CICs are entirely different from the spectrum of charities for the communities. The perspective of the limited liability company creates a significant difference when it comes to consideration of the role of CICs for communities. The prospect of greatest flexibility is utilized by the CICs to play an active and suitable role in the case of different communities’ functions.

           The successful implications by the CICs can also be observed in the case of active consideration of profits and dividends. There is a clear idea of adopting some limitations to successfully achieve the idea of social care and development (Murray, 2014, pp. 345). Both the operational features of profits and dividends played a critical role to determine the active role of CICs to facilitates difference groups of the communities.

           The main idea of community interest companies is established to attain the standards of transparency. The proper effectiveness of CICs can only determine when these organizations are keen to properly regulate their functions and consider the collective interest of the community. It is crucial for the management to develop the annual report and explicitly illustrate the engagement of all the stakeholders to achieve the objective of community welfare.

           The significance of the idea of CICs mainly appears as the central objective of these corporate organizations (André, 2012, pp. 140). The primary goal of CICs is to serve communities and this prospect can never be achieved without considering the specific needs of the community. Transferring assets to another asset-locked domain are the necessary condition to provide potential benefits to the community according to specific needs and requirements.

Consideration of UK’s CIC as an Example

           It is significant to consider one of the CICs of the UK to better apprehend the usefulness of the emerging idea of community interest companies. Warm Wales is one prominent name in the country when it comes to serving the community through the social business model of community interest companies. The central aim of this organization is to adopt necessary measures to eliminate the obstacle of fuel poverty from the targeted communities of Wales and South. The organization of Warm Wales is keen to play its positive role to ensure better help for vulnerable individuals by considering the idea of community regeneration. The practical measures of training and job creation are used as the practical strategies by the CIC to ensure better consideration and involvement of the entire communities. The active perspective of the environment is greatly encouraged by the company to develop better living conditions for the people of the community.

**Conclusion**

To conclude the critical discussion about the effectiveness of CICs for communities, it is vital to indicate that the idea of the business model as CIC is an emerging perspective. It is one useful practical measure at the community level because it ensures the successful combination of business and the overall welfare of the entire community. It is one popular instrument to meet the standards of community development and the welfare of all citizens in the long-run. Social goals can be successfully achieved by ensuring the active involvement of all the stakeholders during the entire procedure of community development.

***Bibliography***

Agafonow, A., Donaldson, C., 2015. The economic rationale behind the social business model: A research agenda. Soc. Bus. 5, 5–16.

André, R., 2012. Assessing the accountability of the benefit corporation: Will this new gray sector organization enhance corporate social responsibility? J. Bus. Ethics 110, 133–150.

Baker, M.J., 2015. Social Business: Business as if people mattered. Soc. Bus. 5, 199–212.

Battilana, J., Dorado, S., 2010. Building sustainable hybrid organizations: The case of commercial microfinance organizations. Acad. Manage. J. 53, 1419–1440.

Battiliana, J., Lee, M., Walker, J., Dorsey, C., 2012. In search of the hybrid ideal.

Clark, C.E., Smith, L.F., Taylor, R.S., Campbell, J.L., 2010. Nurse led interventions to improve control of blood pressure in people with hypertension: systematic review and meta-analysis. Bmj 341, c3995.

Doherty, B., Haugh, H., Lyon, F., 2014. Social enterprises as hybrid organizations: A review and research agenda. Int. J. Manag. Rev. 16, 417–436.

Murray, J., 2014. Social Enterprise Innovation: Delaware’s Public Benefit Corporation Law. Harv Bus Rev 4, 345.

Murray, J., 2012. Defending Patagonia: Mergers and Acquisitions with Benefit Corporations. Hastings Bus LJ 9, 485.

Nicholls, A., 2009. ‘We do good things, don’t we?’:‘Blended Value Accounting’in social entrepreneurship. Account. Organ. Soc. 34, 755–769.