

# The concept of Social Enterprise: an European perspective

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# OVERVIEW

1. The socio-economic context of the debate
2. The EMES conception of SE
3. Social enterprises in the whole economy
4. The specificities of the European perspective
5. Conclusion



# 1. The socio-economic context of the debate

- Late 1970' – beginning 1980'
- Context
  - Increasing structural unemployment
  - Unmet emerging social needs
- Limits of traditional social and employment policies to tackle social exclusion :
  - Long term unemployed or low qualified people
  - Social problems
  - Refugees, immigrants
  - “De – institutionalisation” of mental ill people (Italy, Sweden...)
  - ...

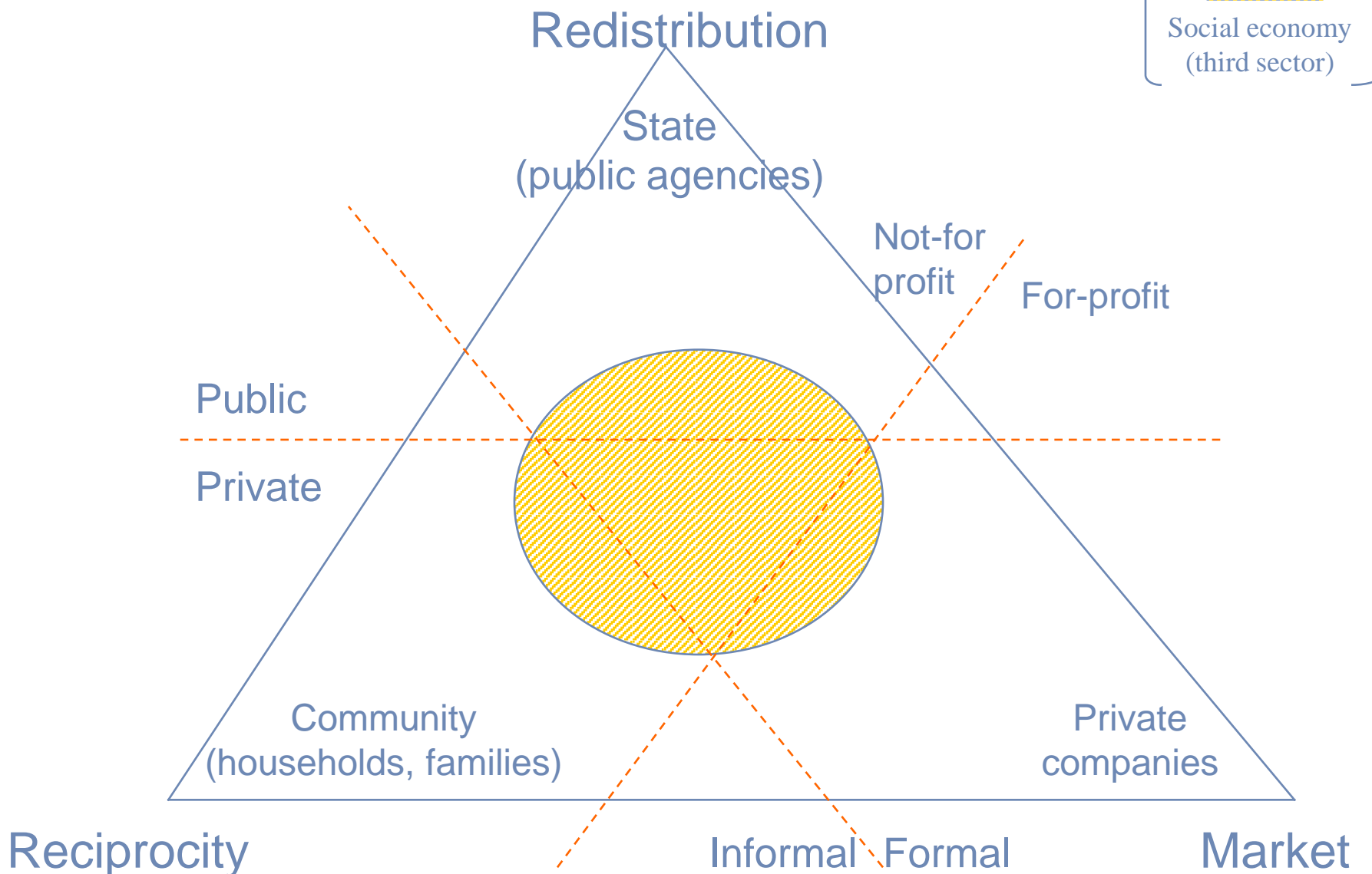


- Changes in public funding of the third sector played an important role: forms - rather than the volume - of public funding transformed:
  - quasi-market
  - second labor market programs with a double objective: providing jobs and answering social needs
- Innovative entrepreneurial behaviours driven by a primary social purpose mainly took place within the third sector
- Third Sector = “Not For Profit” (social economy)
  - Profit : maximum return to capital for shareholders
  - Cooperatives, associations, mutuels, foundations



# LOCATING SOCIAL ECONOMY IN THE WHOLE ECONOMY

  
Social economy  
(third sector)



- Innovative entrepreneurial behaviours driven by a primary social purpose mainly took place within the third sector
- Schumpeter (1934): entrepreneurs are the persons who contribute and implement « new combinations » in the process of production
  - new products or new qualities of product (ex: work integration social enterprises, recycling industry, social housing, renewable energy),
  - new methods of organisation and/or of production (ex: parental childcare initiatives),
  - new factors of production (ex: evolution of volunteering and of the relations of volunteer workers with paid workers),
  - new relations to the market (ex: practices of « contracting out » of public authorities, fair trade, short circuits)
- Federative bodies advocate for a better recognition of their specificities (for instance, the Italian Consorzi): key actor



# PUBLIC POLICIES PROMOTING SOCIAL ENTERPRISES IN EUROPE

- Public policies focusing explicitly on the promotion of SE (UK since 2002, EQUAL programme,...)
- Setting up of public or public-private funds providing seed capital, loans and other financial supports (France, Belgium,...)
- Public policies promoting access of SE to public procurement (e.g. local public goods)
- New legal frameworks designed for SE



## Doing business with a explicit social aim

- New legal frameworks related to the "cooperative model":
  - Italy (1991): « social cooperative » (**pioneering role**)
  - Portugal (1998): "social solidarity cooperative"
  - Spain (1999): "social initiative cooperative "
  - Greece (1999) " social co-operative with limited liability "
  - France (2001): "cooperative society of collective interest "
  - Poland (2006): " act on social cooperative "
- New legal frameworks based on a more "open model":
  - Belgium (1995): "social purpose company"
  - UK (2004): "community interest company"
  - Finland (2004): " act on social enterprise "
  - Italy (2006): "social enterprise "





## Characteristics of these laws reflecting

- Economic democracy (14/16 laws)
  - limits in voting power in governing bodies
  - limits return on capital shares:
    - cap on distribution of profit (or prohibition)
    - asset locks
- Multiple stakeholders ownership



- New public schemes targeting work integration social enterprises :

- Entreprise d'insertion, association intermédiaire, ...  
France
- Entreprises de formation par le travail, entreprises d'insertion,... Belgium
- Social economy program, Ireland
- Beschäftigungsgesellschaften, Germany
- Integration enterprise program, Portugal, 1998
- Integration enterprise program, Spain (regional levels and national level )

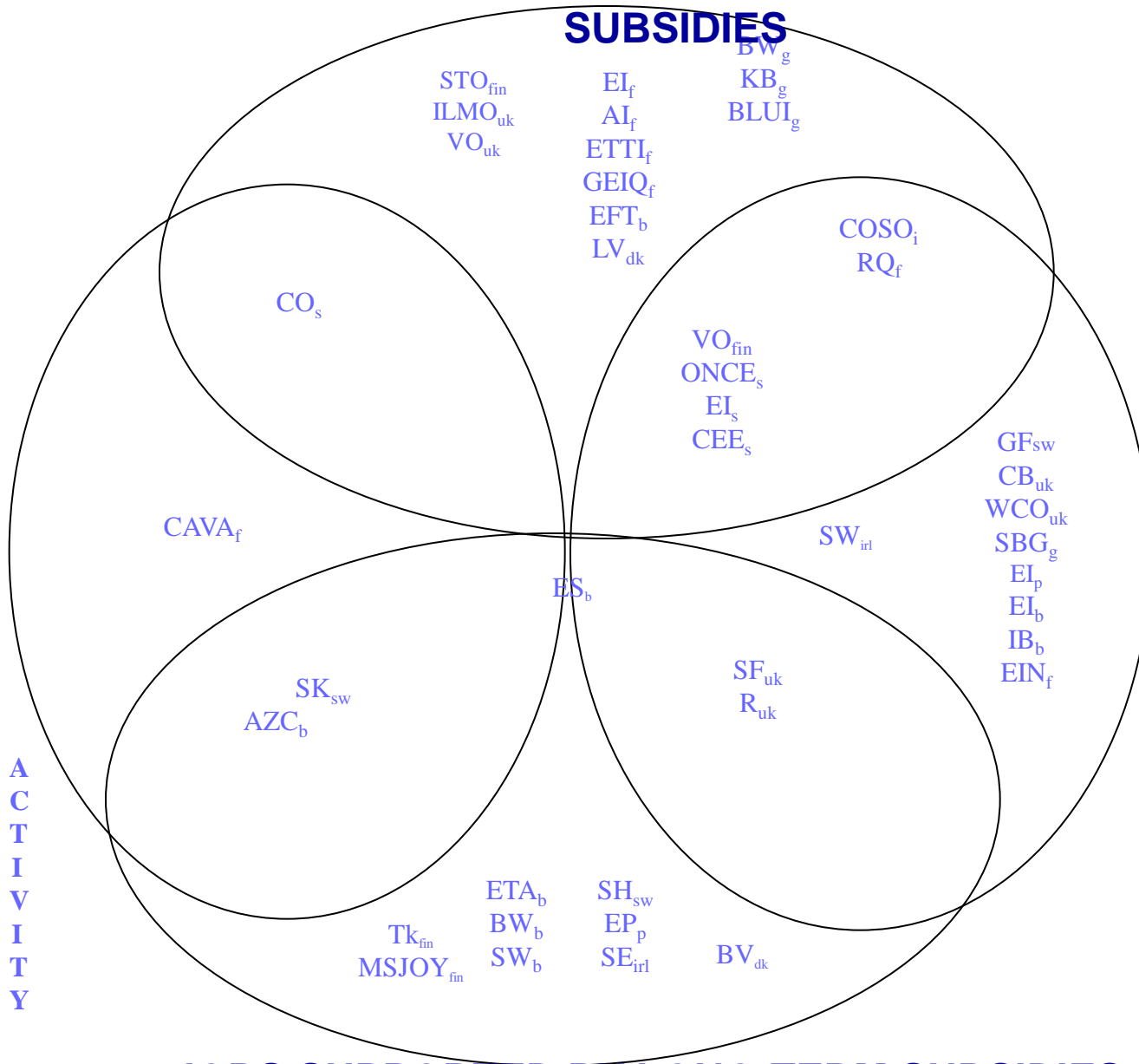
=> This has even led to the concept of social enterprise, in some countries, being systematically associated with such employment creation initiatives



# TRANSITIONAL EMPLOYMENT SUPPORTED BY SHORT-TERM SUBSIDIES

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# JOBS SUPPORTED BY LONG-TERM SUBSIDIES



## 2. The “EMES” approach

An « ideal-type » social enterprise defined by

- **An economic project**
  - A continuous production
  - Some paid work
  - An economic risk
- **A social mission**
  - An explicit social aim
  - Limited profit distribution reflecting the primacy of social aim
  - A initiative launched by a group of citizens or TSO
- **A participatory governance**
  - A high degree of autonomy
  - A participatory nature, which involves various parties affected by the activity
- UCL** – A decision-making power not based on capital



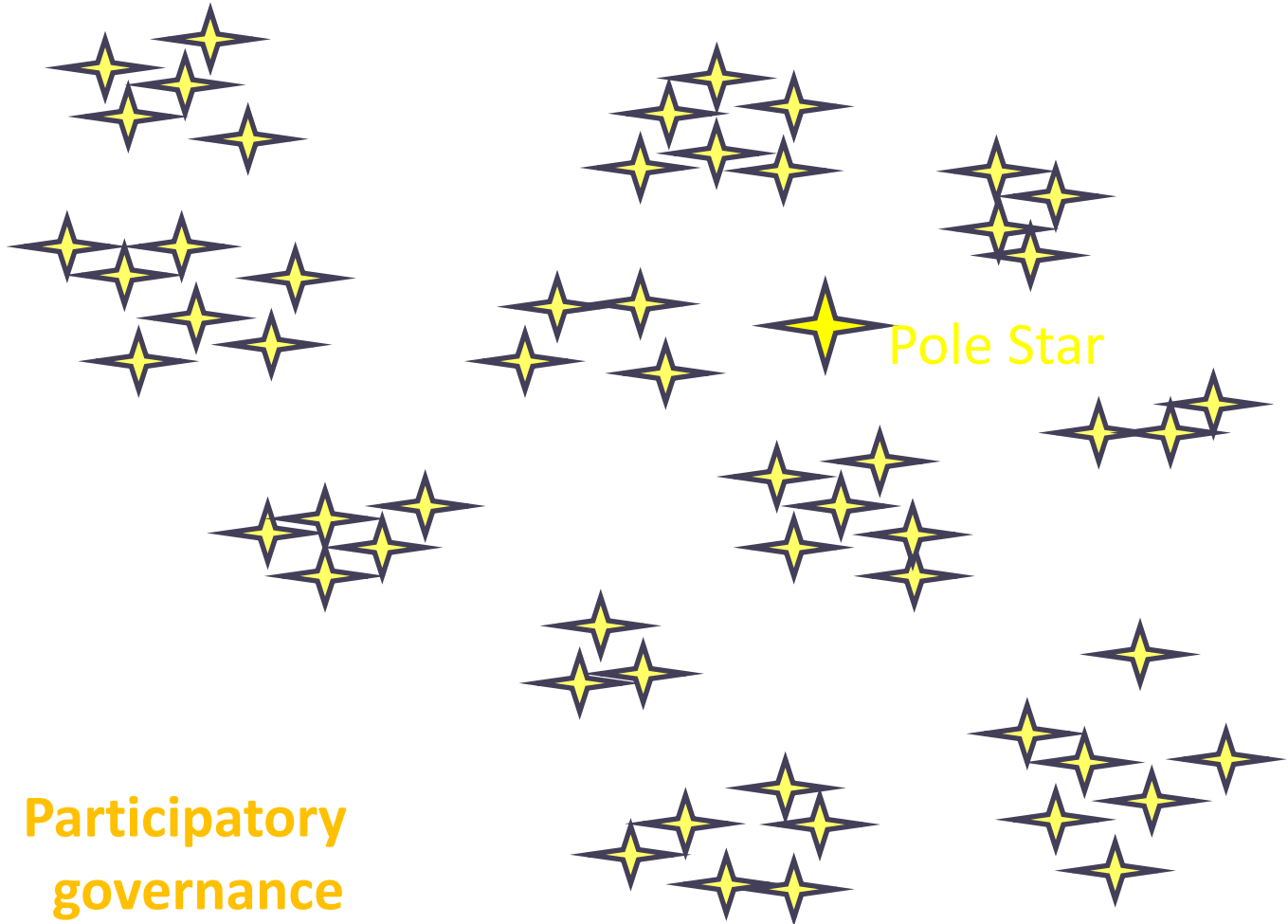
# THE EMES DEFINITION AS AN « IDEAL-TYPE »

- These criteria are not conditions to be strictly met to deserve the label of social enterprise
- They rather define an « ideal-type » (abstract construction) within the « third sector » like a star within the « galaxy » of social enterprises



A methodological tool rather than a normative framework

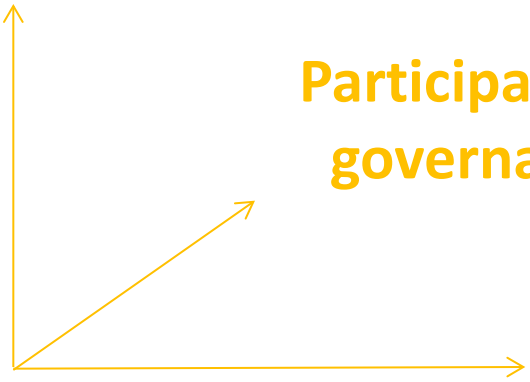




**Social mission**

**Participatory governance**

**Economic sustainability**



The concept of social enterprise  
is thus double-sided:

Social enterprises can be

**NEW ENTITIES**

**OR**

**ALREADY EXISTING ORGANISATIONS**  
reshaped by a new dynamics



# 3. Social enterprises in the whole economy





# Redistribution

State  
(public agencies)

Public – TSO partnership  
SE providing public goods

Not-for profit

For-profit

Public

Private

SE paid work/volunteer  
Informal groups

Social business:  
Fully market - based SE

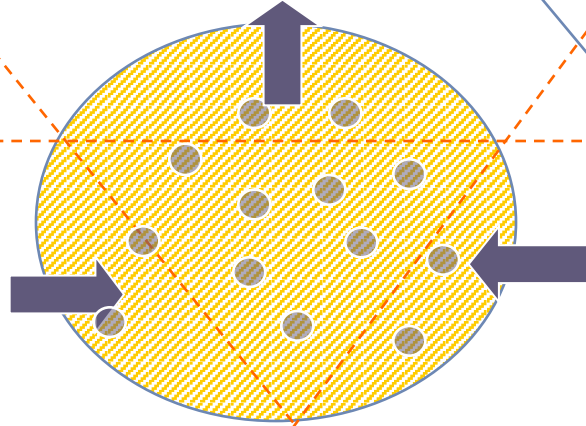
Community  
(households, families)

Private  
companies

Reciprocity

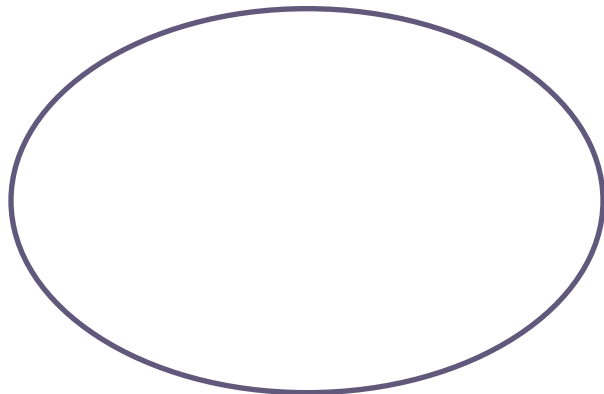
Informal Formal

Market



# THE SOCIAL ENTERPRISE AS A BRIDGE BETWEEN THE ASSOCIATIVE (NPOs) AND THE CO-OPERATIVE WORLDS

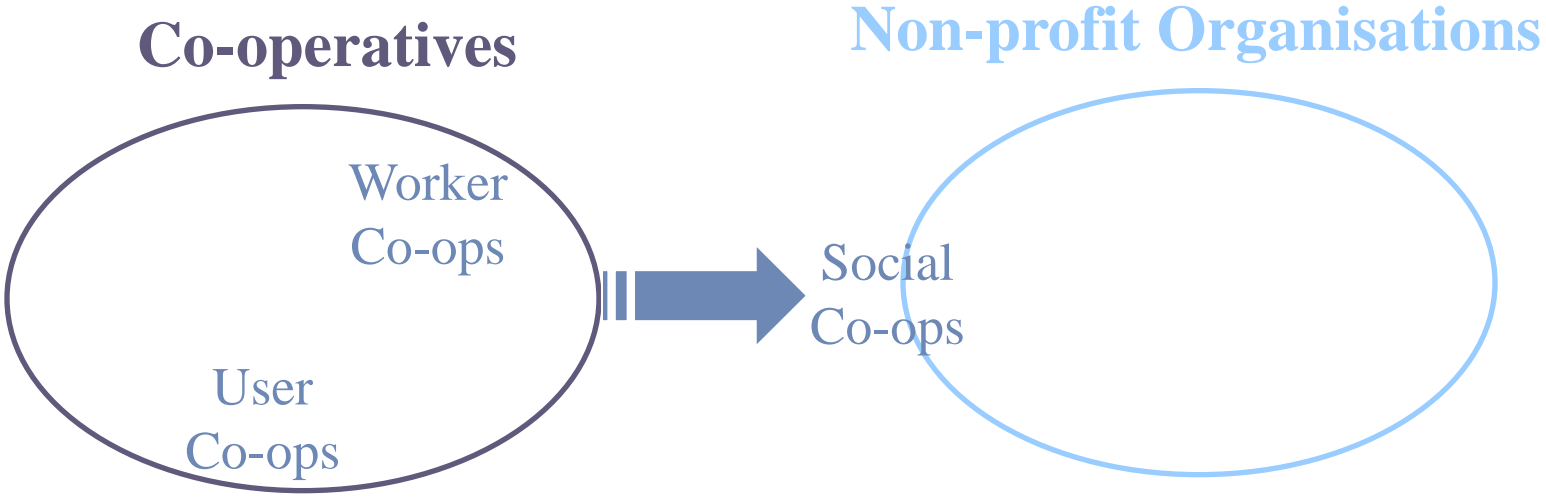
**Co-operatives**



**Non-profit Organisations**



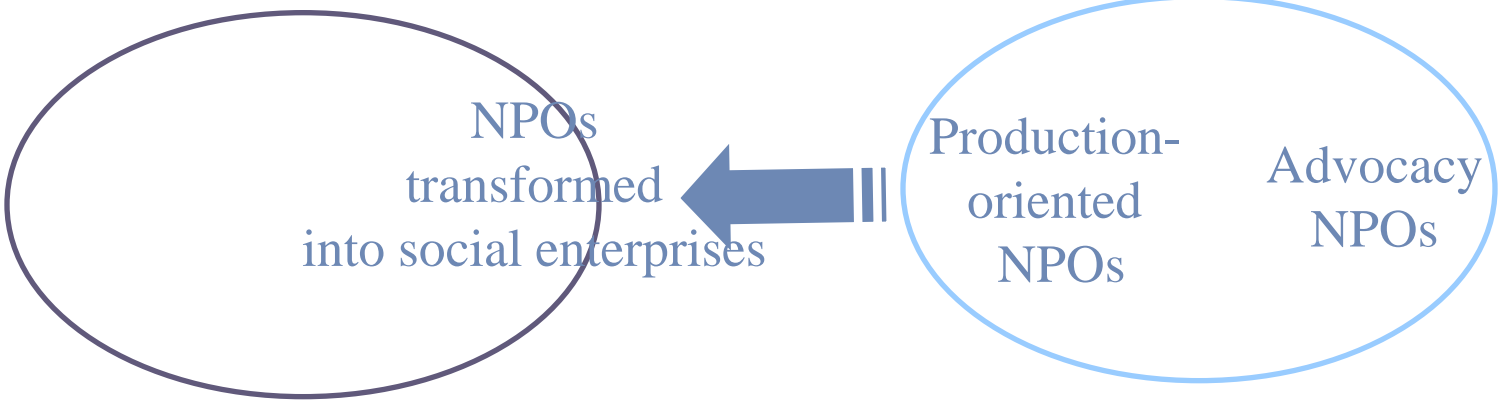
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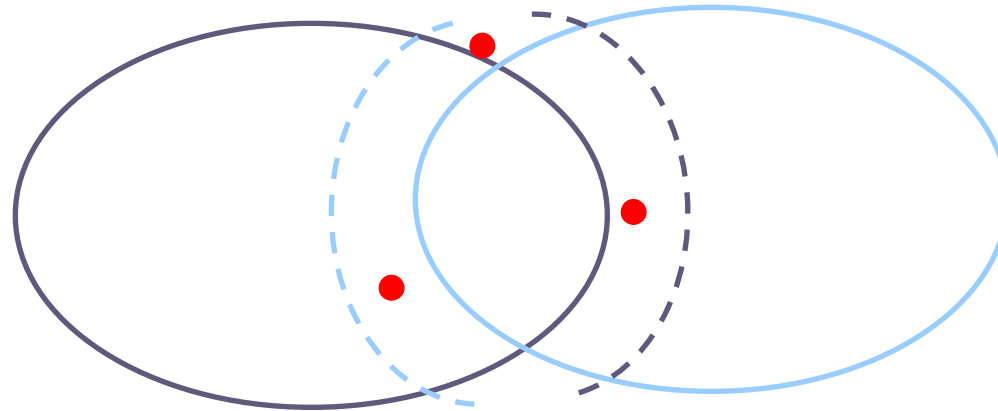
**Co-operatives**

**Non-profit Organisations**



# THE SOCIAL ENTERPRISE AS A BRIDGE BETWEEN THE ASSOCIATIVE (NPOs) AND THE CO-OPERATIVE WORLDS

Co-operatives      Non-profit Organisations



SOCIAL  
ENTERPRISES



# 4. The specificities of the European perspective

- SE: a polysemic and contested concept
- Different conceptions coexist
  - The EMES approach
  - The earned income school
  - The Social innovation school



# The “Earned Income” school of thought

## 1. Early version: the “Commercial Non-Profit” approach

- It focuses on earned-income strategies for NPOs
- Social enterprise: « any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission » (Social Enterprise Alliance )

# The “Earned Income” school of thought (cont.)

## 2. Later version: the “Mission-driven business” approach

- Social enterprise: “any business that trade for a social purpose” (Austin)
- Shift from a sole market orientation to a broader vision of business methods as a path to more effective, not just better-funded, NPO (Emerson; Twersky)
- Social business: a non-loss, non-dividend, fully market-based company dedicated entirely to achieving a social goal (Yunus)



# The “ Social Innovation” school of thought

- In line with Ashoka’s promotion of the “public entrepreneur” (since 1980), Dees (1998) stresses social innovation processes undertaken by social entrepreneurs.
  - Systemic nature of innovation
  - Emphasis on outcomes rather than on incomes



- attempts by scholars of both schools to converge on the following aspects:
  - Social impact enlarged to blended value creation
  - Social innovation dynamics
  - Importance of business methods and earned income
  - Any kind of legal forms: for-profit, nonprofit, public body



# European social enterprise definition at the crossroads of various schools of thought ...



Social enterprises come in many shapes and sizes and take different legal forms across Europe. They have the following common characteristics:

- Earning income by trading (**Earned income school**)
- Having a social or societal objective of the common good as the reason for their economic activity, often in the form of a high level **of social innovation**,
- Profits being mainly reinvested with a view to achieving this social objective (**3 schools**)
- A method of organisation or ownership system reflecting their mission, using democratic governance or participatory principles or focusing on social justice (**EMES approach**)



**Strasbourg declaration**

# 4. The specificities of the European perspective

## 1. The governance of SE

How to guarantee the fulfillment of the social mission ?

- Governance structure more than the profile of the social entrepreneur
  - Autonomy of governance bodies
  - A participative dynamic (multiple stakeholder ownership)
  - Limitation to the rights of shareholders
  - Constraints on profit distribution



- Governance structure: a key factor for fostering social innovation
  - A preliminary : “Social innovations are social both in their ends and in their means” (BEPA, 2010)
  - Production of social value through the provision of goods and services meeting important needs of a community (**innovation in services**) and the implementation of specific governance patterns (**institutional innovation**) are deeply interrelated (Moulaert et al., 2013)



## 2. The economic dimension of the enterprise:

Social enterprises are generally viewed as organizations characterized by a significant level of economic risk

- In Europe, the productive activity is, usually, related to the social mission of the social enterprise
- Economic risk
  - market income : « Social enterprise: any business that trade for a social purpose”
  - mix of resources : “Financial viability of SE depends on the efforts of their members and workers to secure adequate resources”



### 3. The diffusion of social innovation

- In the US : focus on the question of the scale of social innovation processes inside the enterprise
  - Support of foundations bringing a leverage effect
  - Confidence on the sole market resources
  - Risk: a selection process of social challenges deserving to be addressed because of their potential in terms of earned income
  
- In the European context: institutionalisation of the social enterprises in the landscape of public policies
  - Governance structure as a trust signal allowing public bodies to support social enterprises in various ways (new legal forms, public schemes, norms...);
  - Insufficient to design specific modes of governance in the SE without taking into account higher spatial scales
  - Co-construction of private (label, local partnership...) and public norms
  - Risk : instrumentalisation of social enterprise according to the priorities of the government's agenda (WISE)





# 4. Conclusions

- Concepts are embedded in their specific contexts:
  - a contextual analysis of social enterprise and social entrepreneurship is required to take into account national specificities



- The experience shows that pluralism and the diversity of expressions are essential in many areas (politics, culture, philosophies, environment, etc.)
- In the economy:
  - Major risks of domination by schools of thought just fostering virtues of free markets and behaviours motivated by the only pursuit of profit
  - Major need to revitalize economic pluralism in order to feed real debates on globalization



- The social economy and social enterprises are major vehicles for ensuring or reinforcing economic pluralism at other, more fundamental levels
  - at the level of economic activity's goals (mutual interest, public interest...)
  - at the level of the stakeholders' rights (limits to rights linked to capital ownership, multi-stakeholders' governance...)
  - at the level of the types of resources mobilized for production (market-based resources, public subsidies, donations, volunteering)

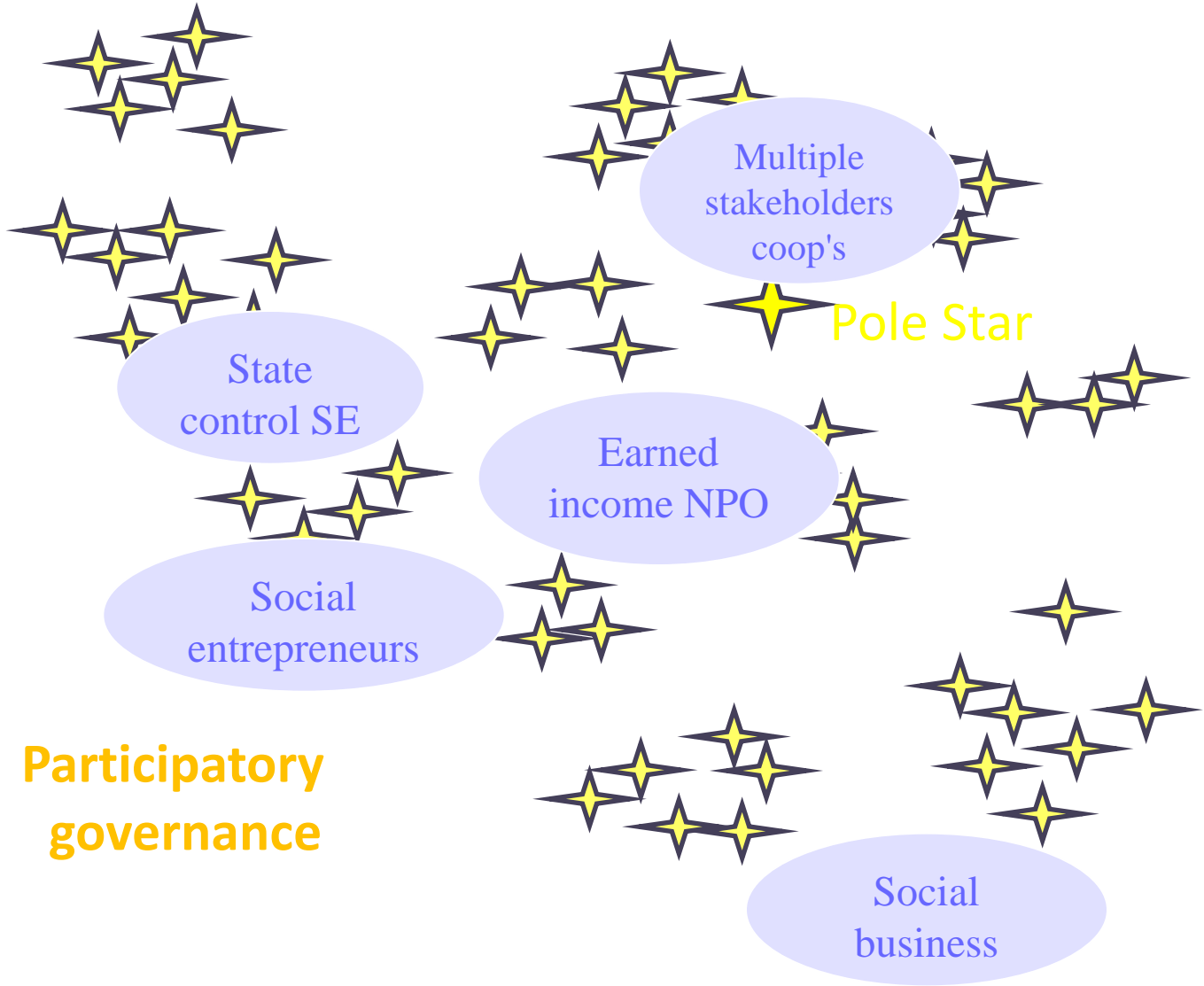
Now more than ever, understanding social enterprise and the social economy and bringing them into the limelight are essential, both at the local level and at the global level.



More than 200 researchers across 50 countries

<http://www.iap-socent.be/icsem-project>

- "Organizations that combine an entrepreneurial dynamics to provide services or goods with the primacy of their social aims"
- Understanding concepts and contexts
- Analyze the diversity of models
- Hypothesis: the 3 dimensions as a methodological tool (social mission, economic model, type of governance)
- Compare SE trajectories of institutionalization and the role of different actors and "driving forces"
- Symposium: Séoul (June 14), Belgium (October 14), Chili (May 15), Finland (July 15)



**Social mission**

**Participatory governance**

**Economic sustainability**

- Stefan **Adam**, Jeremias **Amstutz**, Bernadette Wüthrich, University of Applied Sciences and Arts of Northwestern Switzerland, Olten
- Gregorio **Aviles**, Luca **Crivelli**, Domenico **Ferrari**, University of Applied Sciences and Arts of Southern Switzerland, Lugano
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- Michaël Gonin, Universities of Zurich and of Lausanne

