Social Enterprise in Finland

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ICSEM Working Papers
No. 37
PREFACE AND ACKNOWLEDGEMENTS

This paper is part of a series of Working Papers produced under the International Comparative Social Enterprise Models (ICSEM) Project.

Launched in July 2013, the ICSEM Project (www.iap-socent.be/icsem-project) is the result of a partnership between an Interuniversity Attraction Pole on Social Enterprise (IAP-SOCENT) funded by the Belgian Science Policy and the EMES International Research Network. It gathers around 200 researchers—ICSEM Research Partners—from some 50 countries across the world to document and analyze the diversity of social enterprise models and their eco-systems.

As intermediary products, ICSEM Working Papers provide a vehicle for a first dissemination of the Project’s results to stimulate scholarly discussion and inform policy debates. A list of these papers is provided at the end of this document.

First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global Meetings held alongside EMES International Conferences on Social Enterprise. We are grateful to all those who contribute in a way or another to these various events and achievements of the Project.

ICSEM Working Papers also owe much to the editorial work of Sophie Adam, Coordination Assistant, to whom we express special thanks. Finally, we gratefully acknowledge the role of our Supporting Partners, who are listed at the end of this document and presented on the Project’s website.

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ABSTRACT

Previous research on Finnish social enterprise models has overlooked the latest developments on social enterprises. In addition to work-integration social enterprises, welfare service providers, and cooperatives, there exist an increasing amount of organizations that can be considered as social enterprises. This paper briefly summarizes previous findings on social enterprises in Finland and presents a new typology of Finnish social enterprises.

Keywords: ICSEM; social enterprise; Finland; model; institutionalization.
1. INTRODUCTION

In this paper we conceptualize new approaches to Finnish social enterprises. Specifically, we describe the institutional trajectories of Finnish social enterprise models and the emerging social enterprise ecosystem. Our research follows the framework of the International Comparative Social Enterprise Models (ICSEM) Project. We also aim to contribute to the research on comparative social enterprise models and their respective institutionalization processes internationally (Dees 1998; Defourny and Nyssens 2012; Kerlin 2006).

In Finland there is no agreed upon definition of social enterprise; consequently, there are several ways to understand social enterprises. As a first step of our research, we distinguished, in the Finnish social enterprise field, between institutionalized and non-institutionalized forms. This division helped us to understand the external driving forces of social enterprise developments. Institutionalized forms of social enterprises in Finland include two main types of organizations: (1) work integration social enterprises; and (2) organizations that have been awarded the Finnish Social Enterprise Mark.1 Yet, according to recent studies, there also exist in the country forms of enterprises that can potentially qualify as social enterprises, although they do not seek to be “included” in the abovementioned institutional forms. These potential social enterprises are: (3) (new) cooperatives, (4) other organizations providing work integration, (5) social and welfare service organizations owned by associations and foundations, and (6) social impact-oriented small businesses (“smart-ups”). Previous research has analyzed these organizations’ varied production and social mission, governance and ownership structures, and financial conditions (Grönberg and Kostilainen 2012; Houtbeekers 2014; Kotiranta and Widgrén 2015; Kostilainen and Grönberg 2013; Kostilainen and Pättiniemi 2013; Kostilainen and Tykkyläinen 2015; Pättiniemi 2006).

Based on our analysis of these six categories of social enterprises, we put forward a new typology of Finnish social enterprises. The typology consists of (a) social enterprises providing public (welfare) services; (b) emerging alternative economic initiatives; (c) impact businesses and smart-ups; and (d) social impact redistributors.

This working paper makes three contributions. First, it contributes to the International Comparative Social Enterprise Model Research (ICSEM) Project by analyzing the similarities and differences between the developed typology of Finnish social enterprises and the EMES approach (Defourny 2001; Defourny and Nyssens 2010). Secondly, the developed new typology, based on previous research, adds to the knowledge of the social enterprise field in Finland. Finally, this study serves Finnish practitioners to better understand the emerging ecosystem and the diverse forms and needs of social enterprises.

2. THE FINNISH CONTEXT FOR SOCIAL ENTERPRISES

Finland is one of the North European welfare states—the others being Denmark, Iceland, Norway and Sweden. The Nordic countries are known for their universalist welfare states, which have guaranteed equal opportunities for citizens. According to Hjorth (2008), the characteristic elements of the Nordic welfare states include high women representation in the national parliaments, compared to other European countries; a wide offer of government services, enabling citizens’ individual independence; and higher birth rates than in Southern Europe, due to government support for parenthood. Additionally, Nordic countries are seen as

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1 This label will be described below.
“knowledge economies”, since they have a long tradition of a publicly financed education system, and a high computer and mobile phone density (Hjorth 2008).

As in other Nordic countries, in Finland the government has (had) a central role in providing services for its citizens. These services are funded through taxes, which are legitimized by the wide-ranging availability of public services. This welfare society policy is one of the reasons that can account for the slow development of social enterprises in the country; the state—rather than social enterprises—has been taking care of services to its citizens. There has been a strong political will to promote education, healthcare, and equal opportunities, with an emphasis on the state and municipalities as producers of these services.

Before turning to a brief analysis of the evolution of social enterprise in Finland, some comments on linguistic matters appear useful, as there has been some confusion in Finland over the concepts. Strictly speaking, “social enterprise/entrepreneurship” is translated in Finnish as “sosiaalinen yritys/yrittäjyyys”; these terms evoke the work integration social enterprise legislation of the early 2000s. “Yhteiskunnallinen yritys” is translated as “societal enterprise”—a notion that has recently become used as an umbrella concept to refer to all phenomena related to the notion of social enterprise, including the well-defined concept of work integration social enterprise, defined in law; to organizations with the Social Enterprise Mark, managed by the Association for Finnish Work; and to various other forms, introduced later on.

In Finnish, the terms “societal enterprise” and “social enterprise” thus refer to different concepts. Yet, the English wording “social enterprise” is more established than the Finnish wording for “societal enterprise”. Thus, in this paper, we use the notion of “social enterprise” as an umbrella concept, instead of that of “societal enterprise”.

2.1. Social economy organizations as innovators in the Finnish welfare state

In Finland there exists a long tradition of social economy organizations, i.e. co-operatives, mutual societies, associations and foundations carrying out economic activities. The role of traditional social economy organizations has been—and still is—strong and recognized, inter alia through legal frameworks2 and dedicated financial instruments3 (Kostilainen and Pättiniemi 2013: 40). Pättiniemi (2006) traced some of the social entrepreneurial activities back to the late 19th century.

The traditional forms of social economy organizations fought inequality and fostered social and economic development. Social economy organizations emerged where there was a lack of vital services and resources were scarce. Social policy measures, aims and practices were the drivers of the diffusion of consumer co-operatives around the country. Funeral grants, “godmother” gifts, hygiene and personal health-related counseling and quality controls on foodstuff are examples of these innovations (Inkinen 2000: 113–4). Volunteer associations

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2 Co-operative law of 1902 (latest amendment in 2014); Law on association of 1919 (latest amendment in 1989); Foundation law of 1930 (latest amendment process completed in 2015). Mutual (insurance and financial) companies are regulated by the co-operative law and the insurance company law.

3 Finland’s Slot Machine Association (http://www2.ray.fi/en/ray/about-us) was established in 1938 to finance social and health care associations.
played an important role in furthering the interests of the most vulnerable groups and in developing and organizing services for them. Foundations became an important funder and provider of many welfare services that required specialized expertise, for example in the field of work integration and social housing. Mutual societies still have a strong impact nowadays in the field of non-life insurance (Kostilainen and Pättiniemi, 2016: 60).

The role of social economy organizations changed when the welfare state emerged, developed and matured, in the period that extended from the 1940s to the 1980s. Some social innovations implemented by these traditional social economy organizations were transferred to the municipalities, which took over the responsibility for organizing and financing most of the universal welfare service functions. Traditional social economy organizations maintained their role as services providers to meet various specific needs of different vulnerable groups, such as people with hearing, speech or visual impairment, disabled war veterans, people with respiratory problems and several other groups (Kostilainen and Pättiniemi, 2016: 60).

2.2. Evolution of new social enterprises

In the 1990s, the welfare state structures were revised, due to economic problems. The Finnish governments has also experienced pressures to adjust the welfare system to current challenges, such as population ageing and increasing international competition. There are increasing needs for more and different types of individualized welfare services, while there seems to be difficulties in recruiting new staff and motivating the existing staff (Kostilainen and Pättiniemi, 2016: 62). The majority of Finland’s sparsely populated areas are facing extreme challenges and yet, at the same time, investments from municipalities and the public sector are becoming scarce (Pihlaja 2010).

The types of social enterprises, as well as their activities and tasks, have been evolving in the welfare state since the beginning of the 1990s. Kostilainen and Pättiniemi (2013) found four phases of social enterprises’ recent evolution in Finland: 1) social enterprises as a social movement; 2) social enterprises as a labor market measure; 3) social enterprises as a vehicle for renewing welfare state services; and 4) institutionalization of social enterprise concepts. The institutionalization was achieved through the Act on work integration social enterprises and the implementation of the Social Enterprise Mark. Social enterprises are now expected to combine the business skills of the private sector with a strong social mission producing social innovations that might play an important role in delivering public (welfare) services and in labor market integration.

After the turn of the millennium, social enterprise started to gain more interest. For some, social enterprises are considered as potentially more appropriate service providers than private companies (see for example Bland 2010). Especially in health and social services, where national and local governments are reducing their own production of services, the need for alternatives has become intense. The target being improved efficiency, the services are outsourced to non-governmental organizations and private companies. According to critics, this trend is problematic, in that it makes it possible to redistribute the profits generated to the shareholders at the expenses (at least to some extent) of citizens and tax-payers. In comparison to the market-oriented approach, social entrepreneurship is thus seen as a better solution, since social enterprises may include clauses limiting profit distribution and consequently ensuring that profits are used for developing the organization.
Thus, it could be considered that welfare service production is returning to the civil society organizations that had earlier developed and taken care of welfare services. However, the public sector has changed, and so have civil society and the private sector.

Social entrepreneurship is also seen as a means to enhance sustainability in deprived urban and rural areas. These areas may suffer from depopulation and diminishing employment possibilities. The local activities aiming to fight these trends mobilize the local people and empower them to contribute to their own community (Pearce 2003). However, critics point out that rural areas, which are not densely populated, may not be profitable enough for any commercially related activities without government support (Pihlaja 2010).

3. IDENTIFICATION OF SOCIAL ENTERPRISE MODELS

As already stated in the introduction, we have mapped the Finnish social enterprise field by dividing it into two major categories, namely institutionalized and non-institutionalized social organizations. Institutionalized social enterprises include work-integration social enterprises and organizations that have been awarded the label of “Social Enterprise Mark”. Non-institutionalized social enterprises include new cooperatives, “private” work integration organizations, social and welfare service organizations (owned by associations and foundations), and soci(et)al impact-oriented small businesses (smart-ups). In the following subsections, we present each of these six categories.

3.1. Institutionalized social enterprises

3.1.1. Work integration social enterprises

The term “work integration social enterprise” (WISE) began to find ground in Finland in the late 1990s. The emergence of worker co-operatives and the re-orientation and evolution of traditional work centers and sheltered workshops into market-driven units may be considered as embryonic manifestations of the Finnish work integration social enterprise concept.

In Finland, work integration social enterprises are governed by the Act on Social Enterprises (1351/2003), which entered into force on January 1, 2004. The purpose of the legislation on work integration social enterprises in Finland was first to make it easier, for those in a weak labor market position, to find a job and secondly to improve both the effectiveness of labor market policy measures aimed at this target group and the employment impact of the third sector. Work integration social enterprises were intended to be an alternative to occupational therapy for disabled persons; when the legislation was being prepared, it was noted that the purpose of a work integration social enterprise was to be the last stage in subsidized employment before finding an ordinary job (Huotari et al. 2008).

In order to be granted the status of a work integration social enterprise and to qualify for the support measures specifically intended for work integration social enterprises, the applicant enterprise has to be accepted for entry into the register of work integration social enterprises maintained by the Ministry of Employment and the Economy.4

4 An enterprise registered in the Trade Register may apply for registration in the register of work integration social enterprises. This register especially lists work integration social enterprises whose stated aim (indicated in the articles of association, partnership agreement, by-laws of a non-profit association engaged in business operations or similar documentation) is to provide employment to
A work integration social enterprise may be included in this register if it fulfils the following criteria: it is registered in the Trade Register; it is run as a business to produce commodities (services and goods); at least 30% of its employees are disabled and/or long-term unemployed; it pays all of its employees, regardless of their productivity, the wage or salary specified for employees with full work ability in the relevant collective agreement for the sector in question, or, if such a collective agreement does not exist, it pays all of its employees a normal and reasonable wage or salary. A work integration social enterprise will be removed from the register if the entrepreneur so requests or if the enterprise no longer fulfils the aforementioned criteria.

Work integration social enterprises are basically on a par with any other business as far as obtaining private or public funding goes. However, under specific conditions, work integration social enterprise may be granted certain public subsidies to make up for the productivity shortfall resulting from the fact of employing people with impaired work ability.

WSEs such as they are defined in Finland’s Act on work integration social enterprises (1351/2003) fulfil all three characteristics found in a European comparative study on work integration social enterprises (WSE Project Report, 2009): 1) they are private and independent market-oriented businesses; 2) their employees are in a weak labor market position and they enjoy all employee rights guaranteed under national employment legislation; and 3) their core mission is to empower persons with impaired functional capacity and other disadvantaged persons to enter the labor market and thereby enable their social participation.

Work integration social enterprises can be regarded as a first institutionalized form of social enterprises in Finland. Work integration social enterprises provide labor market training and employment for disabled persons and persons with partial work ability (Kostilainen & Grönberg, 2013: 73). Because of the persistent structural unemployment in the country, the target group of Finnish work integration social enterprises also includes the long-term unemployed. Around 5% of the Finnish labor force (140,000 workers) could be regarded as belonging to the potential target group of work integration social enterprises (Nieminen and Kostilainen 2011: 3).

After some years of experience it has become evident that the Act has had only modest results on both the registration of social enterprises and on the employment rate of its target groups. We argue that one of the main reasons for this is that the Act does not adequately fit or serve any of the two mainstream groups of work integration, namely the long-term unemployed and the disabled.

Since the Act has been implemented, about 300 work integration social enterprises have been registered, and more than 85% of these have been exited from the register. By the end of August 2016 there were 39 work integration social enterprises in the register maintained by the Ministry of Employment and the Economy. Out of these 39 WSEs, 26 were companies limited by shares, two were sole traders, four were (limited or unlimited) partnerships, four were associations and three were co-operatives.

persons in a weak labor market position (Act on work integration social enterprises, section 4).

5 There are basically two main reasons for removal from the registry: 1) an enterprise can be removed at its own initiative or 2) the enterprise does not fulfil anymore the criteria defined in the Act.

6 Data from the register of work integration social enterprises maintained by Ministry of Employment and the Economy. See www.tem.fi/index.phtml?sc=2567 (accessed on August 31, 2015).
According to the last survey carried out by the Ministry of Employment and the Economy, in 2009, the employment impact of work integration social enterprises was relatively insignificant. It should be noted that most of the enterprises removed from the register are still active; they even employ workers from the target groups, but they do not fulfill all the requirements of the Act or have been removed from the register for other reasons.

The success of work integration social enterprises depends on local circumstances; particularly significant factors in this regard are the support of the business community and public bodies, as well as the personal capabilities, networks and professional background of the employees responsible for the training of subsidized employees (Pättiniemi, 2004: 12). Work integration social enterprises are often a vehicle for developing third-sector business expertise, profitability and effectiveness of subsidized employment (Kostiainen and Grönberg 2013).

3.1.2. Finnish Social Enterprise Mark

The Social Enterprise Mark (Yhteiskunnallinen yritys merkki) is a label granted and administered by the Association for Finnish Work (Suomalainen Työn Liitto). The idea of the Social Enterprise Mark originates in the broad-based working group set up by the Ministry of Employment and the Economy in 2010. The aim of this working group was to analyze the role that social enterprises could play in renewing the social and health services and to give recommendations on how the social enterprise model should be developed in Finland (Laiho et al. 2011: 5). The working group defined a social enterprise as follows:

The general goal of a social enterprise is to create public benefit. Its founding principle is to solve social problems and to strive for social goals. In order to meet these goals, a social enterprise uses over half of its profits to promote its aims and to develop its ways of action. In addition, the characteristics of a social enterprise also include openness, a client-centric approach, transparency of business and generating social impact.

(Laiho et al. 2011: 41)

A result of the working group was the launch of the Social Enterprise Mark in December 2011. The Mark is intended for businesses that aim to address social or ecological problems and promote social aims. These businesses should invest the majority of their profits to promote their social or environmental aims. Their business model also features openness and transparency. The aim of the Mark was to give an identity to social enterprises, to differentiate them from traditional enterprises and, in more general terms, to raise awareness of the social enterprise business model.

To be eligible for the label, an organization should meet three primary criteria: 1) its objective and aim must be to promote social well-being; 2) the distribution of profits should be limited: a social enterprise uses most of its profits for the benefit of the society, either by developing its own operations or by giving a share of its profits to charity; 3) the enterprise should ensure the transparency and openness of its business operations. In order to ensure transparency, the

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7 The Association for Finnish Work was established 100 years ago. It is a politically independent non-profit organization, which raises most of its revenues from membership fees. It has nearly 2,000 members, most of them Finnish enterprises. It is independent from public sector actors, political parties and labor market parties (www.avainlippu.fi).
company’s social goals and the limitation on the distribution of profits should be written down in the company’s by-laws, rules or corresponding agreements. Additionally, at least one of the ten following features should be met: measuring the company’s social impact; protecting the social mission through organizational arrangements; adopting a customer-oriented approach in developing the business and developing tight relations with the local communities; putting a special emphasis on the promotion of employees’ wellbeing; giving the personnel a say about their working conditions and allowing them to take part in the decision-making within the company; paying special attention to those belonging to vulnerable groups; minimizing health and environmental hazards caused by the business; promoting environmentally sustainable development; employing people in a weak labor market position; developing the local economy and community.

The board of the Association for Finnish Work nominated a committee of experts who grant the Social Enterprise Mark based on applications from enterprises. By November 2016, the committee had granted the label to 110 enterprises.\footnote{http://suomalainentyo.fi/tietoa-meistoa/asyenyritykset/#merkki/yhteiskunnallinen-yritys}

In principle, the committee grants the Social Enterprise Mark for a three-year period, after which the enterprise must apply again. However, the committee can also decide to grant the label for a shorter period—for example for one year, if an enterprise is in the middle of its first financial year. Additionally, the primary criteria are checked on a yearly basis. The fee for the Social Enterprise Mark is calculated on the basis of the enterprise’s turnover (it amounts to 0.01% of its turnover).\footnote{The calculator is available in English at http://suomalainentyo.fi/en/services/member-fees/}

### 3.2. Non-institutionalized social enterprises

We regard as non-institutionalized social enterprises the organizations that have not applied for the above institutional status, but which fit in the EMES approach of social enterprise (see Nyssens and Defourny 2014).

#### 3.2.1. New cooperatives

Since the early 1990s, new cooperatives have emerged at a faster pace than in the previous two decades. About 100 cooperatives were established yearly in the 1990s, and 200 cooperatives have been set up since the year 2000. They have played an important role in employing the unemployed during the crises in the 1990s (Pättiniemi 2004: 5) and after 2008. These new cooperatives have also an important role in many sparsely populated areas and villages, in organizing services (for example for the elderly) and in offering work opportunities to farmers in their spare time and to the unemployed. Increasing numbers of new cooperatives are established to offer work opportunities to various groups in culture and arts; cooperatives are also set up by young people interested in social media and information technologies (Moilanen et al. 2014: 105-7). There are about 1,500 water and sewage cooperatives that provide fresh water, mainly to households and farms, and play an important ecological role, protecting the environment.

According to the latest survey on new cooperatives (Osuustoiminnan vuoskirja 2015: 67), in 2015 there were 1,648 new cooperatives in Finland. They were employing at least one half time employee, and their yearly turnover ranged from 10,000 euros to 10 million euros. Out
of these 1,648 cooperatives, it can be estimated that about 1,000 were social enterprises. According to the analysis of new cooperatives (established after 1990s), eight out of the thirteen top-ranked high growth cooperatives can be considered as social enterprises (Osuustoiminnan vuosikirja 2015: 68). Although new cooperatives are marginal in terms of number, their work seems to be efficient and important in their local areas.

3.2.2. Other organizations providing work integration

Other organizations providing work integration are foundations or associations that are working in various ways to fight unemployment. Some 500 organization belong to this “social employment group”, out of which 230 of are associations and foundations and the rest are municipal entities or private enterprises. They offer work, rehabilitation activities, and coaching to over 10,000 daily clients (Valimaa et al. 2012: 5).

“Work banks” are enterprises aiming to employ their target groups in their own production lines (in areas such as assembly construction, laundry or recycling services) in a first stage; then, in a later stage, they subcontract their workforce to other enterprises. The long-term goal is to help their target group workers become employed in other enterprises than the work bank. In 2016, there were 13 work banks, which employed together about 9,000 persons, 3,500 of them in weak labor market position.

In order to qualify as a work bank, an organization should fulfil several criteria: for example, they should have a credible business plan; their pricing policy should not create market distortions; their turnover should be over 350,000 euros per year; they should employ at least 15 man-years; and at least 30% of these workers should be long-term unemployed or disabled.

Public support to a work bank cannot exceed 50% of its total turnover. Public support is mainly intended to make up for the employees’ reduced productivity and to cover the costs of necessary coaching. In 2014 the total turnover of work bank enterprises was 25 million euros, of which public support represented about 15%.10

The National Workshop Association (NWA) (or, in Finnish, Valtakunnallinen Työpajayhdistys, or TPY) is a non-governmental organization that offers training as well as development and information services in the field of workshop activities and social employment for its member organizations and interest groups. In 2014, about half of the 223 member organizations were private associations and foundations, and the other half were various types of municipal entities.

The “youth workshop” movement began in the 1980s and was consolidated during the crises in the 1990s. Practically almost all youth workshops are NWA members. As their name indicates, the youth workshops mainly target young persons. In 2014 their activities reached 282 of the 320 Finnish municipalities. In 2013 the workshops had 23,000 trainees, of which 14,900 were under 29 years old.

Youth workshop activities are based on a communal, customer-oriented approach and on shared experiences that aim at improving an individual’s ability to function and work. In the workshops, it is possible to obtain vocational degrees or parts of them.11

10 www.tyopankki.fi
11 www.tpy.fi
The association Oktetti ry consists of 15 foundations active in coaching and social services around Finland. The aim of these foundations is to enhance the ability to work of people with a low level of employability. In 2014, the total annual budget of the foundations was about 160 million. Some 10,000 workers per year take part in the coaching and rehabilitation activities. One of the foundations belonging to Oktetti describes itself as a work coaching expert and service organization, which activates people with a difficult labor market status, supports and prepares them, both professionally and in life management, and provides varied and meaningful work activities. Many of the member foundations are subcontractors to industries; they run lunch canteens, laundries, cleaning activities and cargo transportation services.

3.2.3. Social and welfare service organizations (owned by associations and foundations)

In the Finnish inclusive welfare system, there is a number of special areas of social and welfare services that are provided by specific associations and foundations. These organizations have been established to provide services to their members and/or target groups. Social and welfare service organizations have emerged mostly in three waves: first, during the early urbanization and industrialization stage, from 1860 to 1920 (Nygård 2001: 182-9); secondly, after the Second World War, from 1945 to the 1960s (Nylund and Yeung 2005: 45-6); and finally, from the 1990s up to the present (Kostilainen and Pättiniemi 2013: 43-6). These periods correspond to times of change and fast-growing social needs. In the first stage, ideas and models came mainly from the UK and Germany, while in the second phase, social enterprises were meant to hold the country united while taking care of the war veterans—including war invalids and war widows and their families—as well as training veterans to help them reintegrate the labor market. The third wave began after the economic crisis, in the early 1990s, and it was inspired by Italian examples and, later on, by the British experiences (Kostilainen and Pättiniemi 2013: 44).

In recent years these organizations have established enterprises to professionalize their social and health activities, in order to raise funds for these activities or to avoid economic and other risks for the associations or foundations. The activities of these organizations include for example work with seniors and the elderly, child and youth care, multicultural work, development and provision of communal forms of housing, various forms of supported housing, community center activities, services for mentally handicapped people, education in community colleges, folk high schools and special education schools, various forms of trauma and crisis work, substance abuse rehabilitation and employment services, and rehabilitation centers.

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12 www.saatio-oktetti.fi
3.2.4. Soci(et)al impact-oriented small businesses (“smart-ups”)

Social or societal impact-oriented small businesses refer to activities organized legally as businesses, limited liability companies or even publicly listed companies, but pursuing a goal of positive social or societal impact. In Finland, there is a growing body of small enterprises and individual entrepreneurs that see business opportunities in solving contemporary complex problems and consider a legal business organization form as a means to achieve positive social or societal impacts (Houtbecker 2014).

Although important, the ongoing discussion about the demarcation between what is and what is not “positive social impact” is beyond the purpose of this paper (for discussions, see for example Dey and Steyaert 2010). Instead, the aim of the present paper is simply to acknowledge the existence of soci(et)al impact-oriented businesses and discuss the relevance of this phenomenon to the field of social entrepreneurship.

Increasingly, it is considered that the working life can and should reflect personal values and that it should be meaningful for the workers and society and respectful of the natural environment (Kasvio 2014). For some, social entrepreneurship is a more meaningful career choice than the work in large, established organizations whose activities may be seen as unethical or where work contracts can be unstable (Demos Helsinki 2010). Additionally, the work as a social entrepreneur or a job in a social enterprise constitute ways through which the workers can contribute back to society (see for example Bornstein 2007).

The high-profile Finnish examples of soci(et)al impact-oriented small businesses include a citizen-owned wind power plant (Lumituuli Oy), an ecological supermarket chain originating in the 1980s’ activism (Ruohojurri Oy), and a textile fibre industrial recycler (Pure Waste Oy) (Kourula and Houtbecker 2016). Several designers and artisans have also organized the production in developing countries or reuse recycled materials (for example Mifuko Oy and Remake EkoDesign Oy).

When discussing soci(et)al impact-oriented small businesses, it is relevant to consider the distribution of possible profits. Whereas many of the ventures are small and simply ensure the livelihood of the owner-managers, some others have become economically more profitable. However, there is no special enterprise form in the Finnish legislation that would include an asset lock or would limit profit distribution. Thus, the choice to impose limitations on profit distribution is up to the decision-making bodies in the enterprises.

It is argued that young Finnish professionals in particular want to contribute to solving pressing global problems (Demos Helsinki 2010). Thus, people have started to establish enterprises in various sectors in order to use their expertise to achieve societal impacts. This phenomenon, besides being referred to as social entrepreneurship, is also termed “ecopreneurship” (Dixon and Clifford 2007) or “sustainability entrepreneurship” (Shepherd and Patzelt 2011).

Social entrepreneurs active in sectors dealing with contemporary issues (such as veganism, upcycle design or open software development) seem to avoid institutionalized forms of social enterprise. Instead of following the institutionalized models described in section 3.1, these social entrepreneurs choose to work outside such forms. A first reason that could account for this situation is the fact that these entrepreneurs “work with whatever they have” (Houtbecker 2013). This tendency relates to current interconnected and mobile working life as well as to
the lack of access to institutional support. Secondly, rather than relating to social enterprise networks, the owners of soci(et)al impact-oriented small business tend to rely on their own professional networks or on completely new networks, created specifically for the new type of activities. Importantly, these new networks are created out of need; social entrepreneurs indeed report that they have been—or at least feel—rejected by established entrepreneurship organizations. Thirdly, the studied entrepreneurs’ interpretation of entrepreneurship does not match the traditional entrepreneurship discourses, which only take into account economic motivations. Instead of seeking continuous growth or economic success, these young professionals try to balance social and ecological impacts with economic ones. These findings support previous findings related to entrepreneurs’ experiences of entrepreneurship as a complex and non-linear phenomenon (Verduijn et al. 2014).

4. NEW TYPOLOGY OF FINNISH SOCIAL ENTERPRISES

Dividing Finnish social enterprises into the categories of institutionalized and non-institutionalized social enterprises is helpful in understanding the support provided for various social enterprises. However, such a division raises several issues. First, the institutionalized and non-institutionalized forms are somewhat overlapping. Some of the labelled social enterprises (for example some cooperatives) have characteristics of non-institutionalized forms. However we considered it important to take into account and present also non-institutionalized forms of SE, as we felt that considering institutionalized social enterprises alone did not provide a complete picture of the Finnish social enterprise phenomenon.

Secondly, it is interesting to note that, according to our interpretation, some of the non-institutionalized social enterprises could apply for an institutionalized label and thus be considered as “officially” belonging to the social enterprise sector but, interestingly enough, they decide not to apply, for a variety of reasons.

Thirdly, explaining the division, in the Finnish context, between institutionalized and non-institutionalized models helps to understand the still evolving landscape of Finnish social enterprises. There seems to be an interest to develop the social enterprise sector to become more institutionalized, but the work is only now picking up speed. It seems that social enterprise is not yet widely recognized as a means to work for a more just and ecological society. However, there exist initiatives to explain the societal impacts that some organizations have been creating for years, or even decades. These initiatives are mainly organized by the social enterprises themselves; an example hereof is provided by the recent launch (in August 2014) of a new employers’ union of social enterprises called ARVO.

In order to develop the categorization of Finnish social enterprises, we developed a new typology of Finnish social enterprises; it consists of four categories, which are explored below. This new typology is based on the models presented in chapter 3. However, the framework cuts across institutionalized and non-institutionalized models and thus aims to describe the activities of social enterprises beyond institutional labels.

4.1. Social enterprises providing public (welfare) services

Most of the institutionalized social enterprises, i.e. organizations in the register of work integration social enterprises maintained by the Ministry of Employment and the Economy or with a Social Enterprise Mark, belong to this category. Many non-institutionalized enterprises can also be classified in this category, which has developed due to the transformation of
welfare service provision and to the emergence of a “welfare mix” in the provision of various public services. The public sector (and in particular municipalities) provide the market for organizations in this category through public procurement, service vouchers and other types of contracting. These organizations work mainly in the field of welfare services but also in work integration and capacity-building activities.

4.2. Emerging alternative economic initiatives

Organizations in this group aim to introduce alternative economic models for providing services that have social impacts or contribute to social change. This group mainly consists of new cooperatives and associations with community-, equality-, and ecology-related values. The organizational model is essential to the values of these initiatives, although some cooperatives have grown economically strong, compete with private-sector firms, and thus may have less connections to the grassroots actors than what used to be the case.

4.3. Impact businesses and “smart-ups”

This group consists of organizations with a for-profit legal form that aim for social value or social impacts. While many of the values echo those of emerging alternative economic activities, organizations in this third group differ from those in the second category to the extent that they rely on models enabling the accumulation of wealth by a limited number of people, since they do not all have asset locks or limits on the distribution of profits. In practice, only few of these organizations have become economic success stories; most of them employ and thus support only a limited number of people. Consequently, this model enables the emergence of new, experimental, and often cross-disciplinary professions via entrepreneurship; such positions would not be supported or would be limited in the public sector or in large organizations.

4.4. Social impact redistributors

Social impact redistributors are income generators for social impact-oriented social enterprises belonging mainly to the category of SE described in subsection 4.1. Social impact redistributors have solid businesses generating profits which they re-invest into the (innovation-oriented) social goals of the owners or into other social objectives.

4.5. Evaluating the typology

As part of International Comparative Social Enterprise Models (ICSEM) project, we will, in a subsequent stage of research, conduct data collection and analysis, applying the ICSEM Project’s approach and framework. Based on our analysis, we thus present here a matrix for further empirical research in Finland (Table 1). We suggest to select emblematic cases for each area of the typology: a) public service providers, b) alternative economic initiatives, c) impact businesses, and d) social impact redistributors.
Table 1: Social enterprise typology and categories of social value creation

<table>
<thead>
<tr>
<th>Typology</th>
<th>a) Public service providers</th>
<th>b) Alternative economic initiatives</th>
<th>c) Impact businesses</th>
<th>d) Social impact redistributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input</td>
<td>Case 1</td>
<td>Case 5</td>
<td>Case 9</td>
<td>Case 13</td>
</tr>
<tr>
<td>Output</td>
<td>Case 2</td>
<td>Case 6</td>
<td>Case 10</td>
<td>Case 14</td>
</tr>
<tr>
<td>Process</td>
<td>Case 3</td>
<td>Case 7</td>
<td>Case 11</td>
<td>Case 15</td>
</tr>
<tr>
<td>Distribution</td>
<td>Case 4</td>
<td>Case 8</td>
<td>Case 12</td>
<td>Case 16</td>
</tr>
</tbody>
</table>

We will further test the proposed typology by analyzing how social enterprises create social value in the areas of input, output, process, and profit distribution (Alegre 2015; Kostilainen and Tykkyläinen 2015). Input-related social value creation refers to social enterprises having a social focus on input of the production process, for example fair-trade businesses. Output refers to social value creation embedded in the product or service, as this is for example the case for social services. Process-related social value creation refers to enterprises having a social focus on the process part of the production process, as for example work integration social enterprises. Distribution-related social value creation refers to businesses generating profits to support the social mission of other social enterprises.

The various approaches to social value creation form a theoretical framework for further examining the differences between the four models of the proposed typology. Based on previous research in the Finnish context, we know that social impact redistributors (d) mainly focus on social value creation linked to profit distribution. Emerging alternative economic initiatives (b) seem to be interested in process-related social value creation, while social enterprises providing (public) welfare services (a) focus on the outputs. Yet, work integration social enterprises, which we consider to belong to type a, seem to focus on the process of employing people. Impact businesses and smart-ups (c) seem most versatile in reference to the social value creation models presented above: while some enterprises in this category emphasize inputs, some others focus on outputs or processes.

5. IMPLICATIONS AND CONCLUSIONS

In this paper we have reviewed the development of social enterprises in Finland and presented the latest findings completing previous research. We argue that considering only the institutionalized forms of social enterprise (namely work integration social enterprises and organizations that have obtained the Social Enterprise Mark) is not sufficient to take in the full picture of the contemporary landscape of social enterprise in Finland. Thus, we propose a new typology that also takes into account non-institutionalized forms of social enterprises, including new cooperatives, other organizations providing work integration, social and welfare service organizations owned by associations and foundations, and social impact-oriented small businesses (smart-ups).

Based on our analysis of institutionalized and non-institutionalized forms of social enterprise, we identified a new typology of Finnish social enterprises, which consists of (a) social enterprises providing public (welfare) services, (b) emerging alternative economic initiatives, (c) impact businesses and smart-ups, and (d) social impact redistributors. This new typology brings together the various forms of social enterprise developed during the last decades on the
basis of the type of activities they conduct and moves beyond the institutional labels when describing the social enterprise field in Finland.

The institutional trajectories of the four categories can be expected to evolve differently in the near future. We suspect that the restructuring of the Finnish social and welfare service provision in the 2010s could increase the demand for social enterprises providing public (welfare) services (a). Indeed, the planned reforms increase the decision-making power of municipalities over who produces the services. Thus, some service subscribers, such as municipalities, may be interested in how the services have been organized beyond economic efficiency and thus value elements attached to social enterprises, such as limited profit-distribution and social aims. In addition, emerging alternative economic initiatives (b) may increase their public visibility and popularity because citizens might become more interested in the ways (local) services are delivered.

Concerning impact businesses and smart-ups (c), for-profit initiatives aiming for social and environmental (positive) impacts are increasingly talked about in Finnish public discussions. However, their capacities such as they are envisaged in these discussions may differ from the actual possibilities of these initiatives, because for-profit businesses are expected to prioritize economic growth and efficiency. Yet, many observers consider that there exist opportunities for these initiatives in the emerging markets where socially and environmentally sustainable solutions skip some of the development phases met in the more mature markets. From this perspective, social impact redistributors in Finland (d) could serve needs in the emerging markets for socially and environmentally sustainable solutions by providing funding through activities generating profits.

In reference to the International Comparative Social Enterprise Models (ICSEM) Project, both similarities and differences between the developed typology of Finnish social enterprises and the EMES approach can be highlighted. The EMES approach (Nyssens and Defourny 2012) presents social, economic and governance-related indicators to characterize social entrepreneurship ventures. The ideal-typical characteristics on economic and entrepreneurial dimensions include (1) a continuous activity producing goods and services, (2) a significant level of economic risk, and (3) a minimum amount of paid work. The ideal-typical social dimensions include (4) an explicit aim to benefit the community, (5) an initiative launched by a group of citizens, and (6) limited profit distribution. The ideal-typical indicators reflecting participatory governance include (7) a high degree of autonomy, (8) a decision-making power not based on capital ownership, (9) a participatory nature, which involves the various parties affected by the activity.

All four categories in the proposed Finnish typology fulfil the economic dimensions described in the EMES approach. Concerning the indicators reflecting participatory governance, in impact businesses and social impact redistributors, the decision-making power may be linked to capital ownership and/or profit distribution may not be limited. In addition, the degree to which a participatory nature is implemented—i.e. involving the various parties affected by the activity—may vary significantly in each of the categories.

To further develop the proposed typology of social enterprises in Finland, the next step is to further analyze the various types of SE in relation to how they create social value. This work will be conducted as part of the data collection stage of the ICSEM Project. Concerning the potential cases presented in Table 1, we will combine interviews, publicly available registers, and databases in order to produce a reliable data set.
REFERENCES


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