



A Typology of Social Enterprise “Traditions”

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PREFACE AND ACKNOWLEDGEMENTS

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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.

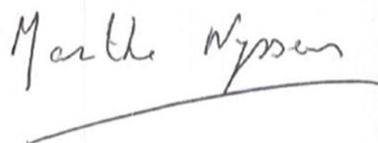
First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global Meetings held alongside EMES International 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.

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1. INTRODUCTION

This paper considers the longstanding problem of how to define and classify social enterprise, given the great variety of social enterprise activities, organisational types, legal forms, and policy objectives. After considering various social enterprise emergence theories and three alternative classifications of social enterprise, it proposes a typology of social enterprises based on six social enterprise historical “traditions”, each representing a distinct purpose. The paper discusses each tradition in turn and identifies its basis, central values, primary beneficiaries, potential legal or organisational form(s), and primary income source(s). It then maps the traditions onto the “welfare triangle”, discusses the principles of how to classify social enterprises on the basis of the “traditions” typology, and considers the issue of hybridity.

2. SOCIAL ENTERPRISE: THE CHALLENGE OF DEFINITION

Social enterprise is a quintessential “fuzzy concept”, “lacking conceptual clarity and difficult to operationalize” (Markusen 1999, p. 870). The burgeoning literature on social enterprise, social entrepreneurship and the social economy suggests that “social enterprise” is a chameleon, capable of almost infinite adaptation to suit changing contexts, and perhaps susceptible of no clear essential definition. Its apparent conceptual elasticity seems to make it possible for it to be whatever people want it to be and do. “Social enterprise means different things to different people across time and context.” (Teasdale 2012a, p. 113)

The variety and complexity of social enterprise activities, organisational types and legal forms, and the confusion of objectives and expectations imposed by government policy-makers on the social enterprise sector have long created difficulties and controversies for attempts to define social enterprise and classify social enterprises—or even to count them (OECD 1999; Defourny 2001; Nicholls 2006; Shaw & Carter 2007; Peattie & Morley 2008; Spear et al. 2009; Galera & Borzaga 2009; Ridley-Duff & Bull 2011; Bacq & Janssen 2011; Teasdale 2012a; Teasdale et al. 2013). The potential scope of social enterprise activities is very wide, covering economic, social, and environmental matters. Social enterprises may, for instance, be involved in employment or training; area-based regeneration; health or social care; leisure or cultural activities; wholefoods; childcare; retail services; philanthropy or charity; housing; education; public service provision; and so on. Organisational types can include: worker co-operatives, community enterprises, credit unions, community development finance institutions, development trusts, work integration social enterprises, social firms, intermediate labour market organisations, non-profits, charities, social businesses, employee-owned enterprises, retail co-operatives, mutual insurance companies, private companies, and others. Moreover, a growing number of legal forms (both incorporated and unincorporated) exist which may be used to establish what are called “social enterprises”. Co-operatives^{UK} discusses the following UK forms, to which can be added the Local Authority Trading Company (LATC) form, available from 2003:

Incorporated forms

- Company Limited by Guarantee (CLG);
- Company Limited by Shares (CLS);
- Community Interest Company (CIC)—from 2005;
- Industrial & Provident Society (bona fide Co-operative) (IPS [Co-op])¹;
- Industrial & Provident Society (Community Benefit Society) (IPS [Bencom])¹;

¹ With the enactment in the UK of the Co-operative and Community Benefit Societies Act 2014 in May 2014, the various statutes relating to both types of IPS have been combined into one legal structure

- Charitable Incorporated Organisation (CIO)—from 2013;
- Incorporation of charity trustees;
- Limited Liability Partnership (LLP)—from 2001; and

Unincorporated forms

- Trust;
- Unincorporated Association;
- Partnership; and
- Sole Trader.

(Co-operatives^{UK} 2009)

The list of government policy objectives and claims for the sector over the past decade has been similarly diverse—and demanding of the sector. In the UK, for example, a daunting range of different roles and responsibilities have been accorded to social enterprise, including at least the following:

- improving competitiveness and productivity;
- creating wealth and fostering enterprise;
- providing employment and training;
- providing better public services;
- reinvigorating civil society;
- building capacity and social capital in communities;
- regenerating disadvantaged communities;
- addressing unmet social and environmental needs;
- tackling social and financial exclusion; and
- encouraging ethical markets.

(DTI 2002; CO 2006)

The excited optimism around the social economy and social enterprise manifest themselves not just in these official accounts of the potential of the two concepts to be and do all manner of different things, but also in (for the most part) steadily increasing claims for the size and strength of the local social economy or social enterprise sector (Teasdale et al. 2013).

It seemed—and still seems—difficult for social enterprise successfully to address so many policy goals simultaneously, especially given the additional pressure of the frequently-experienced tensions between social enterprises' social and commercial objectives. Moreover, it is surprising that such large growth in enterprises, jobs and turnover suddenly emerged, apparently having hitherto escaped notice. Nevertheless, estimates continue to be publicised which assert the existence of huge and growing numbers of social enterprises in the UK (e.g. DE & IFFR 2010; CO 2013; BMG Research 2013).

It is unclear what is intended to be achieved by the many claims about the numbers and importance (in terms of, e.g., employees or turnover) of UK social enterprises. One unfortunate corollary of talking up social enterprise in this way is that expectations of the sector will be raised, often beyond what is realistically achievable. Is the development of social enterprise in the UK (or elsewhere, for that matter) really proceeding so successfully that we can observe a widespread consequential improvement in social, environmental and economic conditions, or is it all a lot of hype (akin to the “greenwash” or “CSR-wash” promoted by many private companies claiming to be environmentally or socially responsible)? If there really are so many social enterprises, this begs the question as to whether all the added governmental and non-governmental effort, policy, investment and other support for social enterprise is actually needed, when it is claimed to be happening anyway. Moreover,

covering both co-operative societies and community benefit societies, henceforth respectively to be legally known as co-ops and bencoms, with the abolition of the appellation IPS.

particularly in relation to the muddy boundary between for-profit business and social enterprise, if the definition of the latter is to be made so inclusive, what is the point of “social enterprise” at all, and what is distinctive about it?

3. ATTEMPTS TO DEFINE AND CLASSIFY SOCIAL ENTERPRISES

In all this confusion and complexity, it is therefore not surprising that definitional consensus is limited to the lowest common denominator: “organisations which trade to achieve their social objectives”, or similar (Peattie & Morley 2008, p.8). Amongst many others, more specific proposals to define and classify social enterprises include:

- social purpose businesses which primarily reinvest surpluses in the business or community rather than generating profits for shareholders or owners (OECD 1999; DTI 2002 [see full definition earlier]; EC 2011);
- those third system organisations (based on citizen collaboration, mutuality and self-help to address social needs) that are most engaged in trading within a three-system model of the economy (Pearce 2003);
- those enterprises that bridge the non-profit sector and the social economy, and tend towards non-prescriptive but archetypal indicators (distinguishing various economic and social criteria), thereby placing initiatives differentially within a spectrum of social enterprises (Defourny & Nyssens 2006);
- common social enterprise characteristics—multi-agency environments, enterprise orientation, social aims, and social ownership (Shaw & Carter 2007);
- inclusive versus exclusive definitions (Light 2008);
- an empirically-grounded typology based on the impact that the origins and the development path of social enterprises have on governance structures and issues (Spear et al. 2009—see below);
- a social enterprise typology, with several models and classifications, including by “mission orientation” or “based on the level of integration of social programs and business activities” (Alter 2010—see below);
- and a social enterprise typology, based on a cross-sector analysis, with four models of social enterprise developing at the interface of public, private and third sectors (“non-profit”, “corporate social responsibility”, “more-than-profit”, and “multi-stakeholder”) (Ridley-Duff & Bull 2011, pp. 73-6).

Another approach seeks to clarify the conceptual confusion by showing how different actors construct separate discourses, based on contrasting academic theories which relate to varying organisational types (Teasdale 2012a—see below). Whilst there is considerable overlap between all these different definitions and classifications, agreement on the nature and categories of social enterprise nevertheless remains elusive.

4. SOCIAL ENTERPRISE EMERGENCE THEORIES

One approach to understanding more about the meaning and significance of social enterprise is to consider what circumstances might have caused it to have come about. Certain “emergence theories” appear to convey considerable explanatory power. Six principal theoretical explanations for the emergence of social enterprise (see Teasdale 2010a; 2012a) are outlined here (sections 4.1. to 4.6.):

- State/market failure;
- Resource dependence theory;
- Institutional theory;
- Social origins theory;
- Political expediency;
- Interdependence theory and voluntary failure theory.

4.1. State/market failure

Markets are inherently limited in their ability to produce “public goods” (i.e. those available to all, regardless of payment—Salamon et al. 2000); these “inadequate markets” mean that the private sector fails to provide adequate social and environmental goods and services, or to enable labour markets to employ disadvantaged people, whilst “inadequate public sector supply and retrenchment” cause the third sector increasingly to make up for “stagnant and declining public services” (Haugh & Kitson 2007, p. 981). However, Salamon et al. (2000) found that—contrary to the expectations of market and government failure theory—countries with higher public sector spending tended to produce larger non-profit sectors and vice versa. In addition, “the state failure hypothesis tends to ignore the role of the state in facilitating and promoting social enterprise” (Teasdale 2010a, p. 6).

State and market failure theories are normally employed together. However, in Europe market failure is especially highlighted in explanations for the development of co-operative types of social enterprise, as well as community enterprises in some areas (as self-help initiatives to address the non-existence of the market there), whilst in the USA, state failure to tackle social problems is underlined as causal in the activities of social entrepreneurs to generate social business ventures (Teasdale 2012a).

4.2. Resource dependence theory

Resource dependence theory argues that, because third sector organisations are dependent on declining government funding and philanthropic donations, for both of which there is increased competition, they will seek new sources of funding elsewhere, and increased commercial activity (i.e. social enterprise) is likely to result (Froelich 1999; Eikenberry 2009). The evidence for this is inconclusive (e.g. Kerlin & Pollak 2011). However, the impression is that the voluntary sector as a whole is gradually becoming more enterprising, generating increased income from sales and trading, as public sector funding has sharply declined. This would seem to support the resource dependency proposition.

4.3. Institutional theory

Institutional theories suggest that organisations tend towards isomorphism in particular fields (DiMaggio & Powell 1983). Moreover, organisations seek *legitimacy* (rather than efficiency or effectiveness) as a primary organisational goal. By conforming to the expectations of key stakeholders and constituents in society at large, organisations achieve legitimacy, which enables them to succeed, and gain support and resources; institutional isomorphism is therefore encouraged, with organisations exhibiting similarity of form and type and adhering to the dominant institutional norms of the industry in which they are involved (Dart 2004b; Suchman 1995; DiMaggio & Powell 1983; DiMaggio & Anheier 1990; Reid & Griffith 2006). However, with varied isomorphic processes (DiMaggio & Powell 1983) and different forms of organisational legitimacy (Suchman 1995), disparate sets of values from diverse stakeholders (particularly funders) may create conflicting pressures on organisations to espouse divergent or even opposed internal organisational practices, and this in turn could create assorted and incompatible demands. This is “a paradox of the legitimacy literature” (Teasdale 2010b, pp. 271-2).

Although third sector, charitable and non-profit organisations are framed as being distinctly different from business organisations, social enterprises and similar social entrepreneurial organisations are becoming increasingly hybrid, straddling the boundaries between social economy (non-profit) organisations and conventional (for-profit) business entities (Dart 2004b, Billis 2010a). Dart contends that, over recent years, in the OECD (and especially the UK and the USA), there has been a decline in welfare state ideology (and its organisational forms), together with a widespread renewed belief in the efficacy of markets and the ideology of business, whose values, models, and language have become dominant, so that “even” organisations in the social sector can obtain legitimacy by embracing business “language, goals, and structures” (Dart 2004b, pp. 418-20).

4.4. Social origins theory

At the level of countries and global regions, it is suggested that the regional socioeconomic context (including structures, institutions, and other particular socioeconomic characteristics) determines the possibilities for third sector or social enterprise development in any given area, resulting in divergent models of such development (Salamon et al. 2000; Defourny & Nyssens 2010; Kerlin 2010).

Nevertheless, “there is potential to further develop social origins theory to explain the differential emergence of social enterprise within as well as between countries” (Teasdale 2010a, p. 7). Amin et al. (2002) consider the development and dynamics of the varieties of social economy in three UK cities and a London borough, each with contrasting socioeconomic environments and political cultures. They show that the scale and form of the social economy in these different localities has been markedly influenced by local socioeconomic circumstances, local political conditions, and the interrelationships between diverse local social interests and classes. Research by the author into the development (from the late 1970s) of the community co-operatives of the Highlands and Islands of Scotland (Gordon 2002) also underlines the importance to the emergence of social enterprise of the local (in this case, regional) social, economic and political context.

4.5. Political expediency

Halfpenny and Reid (2002) suggest that:

... despite the sophistication of the academic theorising and research on this issue, it is possible that there is a cruder explanation for the continued existence of parts of the voluntary sector, and that is political expediency. Some parts are tolerated or promoted by the government of the day because they are seen as useful in covering its policy deficiencies or in contributing to achievement of some aspect of its political mission. (*ibid*, p. 540)

Several writers have alluded to this idea of the state as prime mover in the transformation of the voluntary and community—or third—sector in recent years, highlighting the use of the sector to promote the former UK New Labour Government’s “third way” (i.e. between the market and the state) policies on, for example: marketisation, regional policy delivery, social exclusion and the environment (Haugh & Kitson 2007); public service delivery (Di Domenico et al. 2009); welfare service provision (Alcock 2010); enterprise, social capital for social cohesion, and community engagement (Nicholls 2010); and Government transformation of the third sector into a “governable terrain” in order to increase voluntary and community organisations’ capacity for public service delivery, particularly of welfare services, through partnership and “the operational governance mechanisms of procurement and performance” (Carmel & Harlock 2008, p. 155).

4.6. Interdependence theory and voluntary failure theory

Closely related to the state's instrumentality in developing the role of social enterprise in public service provision for the state's own purposes, is the concept of the "interdependence" of the public and third sectors. Salamon et al. (2000) suggest that non-profit organisations bring benefits (such as expertise, structures and experience) which governments can exploit in their own undertakings, but that they also have inherent critical limitations (amounting to "voluntary failure") which hinder their capacity to address public problems and needs; thus, there can be considerable potential for interdependence and collaboration between the public and third sectors. Voluntary failure turns the idea of state or market failure on its head (Salamon 1987). Instead of the voluntary sector developing in response to the failures of the market or the state, government is seen as having to make up for the intrinsic limitations of the voluntary sector. These "voluntary failures" broadly fall into four areas of philanthropic deficiency:

- *Philanthropic insufficiency* (the inability to generate sufficient resources, resulting in a need for general taxation to create sufficiency, consistency and fairness)
- *Philanthropic particularism* (the tendency of voluntary organisations and benefactors to focus on particular sub-groups, leading to favouritism and potential duplication);
- *Philanthropic paternalism* (those with most resources have the greatest influence in specifying community needs; this is undemocratic and can be self-defeating, because the poor do not control the resources, which may lead to dependency);
- *Philanthropic amateurism* (in an increasingly professional wider context, third sector organisations may be disadvantaged and unable to afford professional staff).

(*ibid*, pp. 39-42)

Salamon's categorisation was in the United States context. Kendall (2003) concludes that all four areas of voluntary failure also apply to the UK voluntary sector.

5. ORIGINS AND A HISTORICAL APPROACH

Most authors referred to in section 3 above make some reference to antecedent organisational forms of social enterprise, e.g. co-operatives, mutuals, charities and community enterprises (Pearce 2003; Ridley-Duff & Bull 2011). However, three of the examples mentioned bear further examination in the context of the typology proposed in this paper.

First, a research project into the governance challenges and support needs of social enterprises found that:

...the origins and paths of development of social enterprise can ... have an important impact both on the way government structures are constructed and developed, and on the types of issues and challenges that they face.

(Spear et al. 2009, p. 265)

This led the researchers to develop a new typology of social enterprises based on their origins and development paths (Table 1).

Table 1: A typology of social enterprises

| Types of social enterprise | Origins | Examples |
|--|---|--|
| <i>Mutuals</i> | Formed to meet the needs of a particular group of members through trading activities | Consumer co-operatives Credit unions |
| <i>Trading charities</i> | Commercial activities established to meet the charities' primary mission, or as a secondary activity to raise funds | Educational or other charities that charge for services Charities with trading subsidiaries, e.g. charity shops |
| <i>Public sector spin-offs</i> | Social enterprises that have taken over the running of services previously provided by public authorities | Leisure trusts Some health and social care social enterprises |
| <i>New-start social enterprises</i> | Enterprises set up as new businesses by social entrepreneurs | Some fair trade and "green" enterprises |

Source: Spear et al. (2009), p. 266.

They identify four types of social enterprises: "mutuals", "trading charities", "public sector spin-offs" and "new-start social enterprises" (Spear et al. 2009). However, they do not include social enterprise organisations responding to the needs and problems of particular geographical areas (e.g. community enterprises or development trusts). The paper explicitly identified both of these as types of social enterprise, and development trusts were not only included in an initial "typology of commonly recognized and self-labelled forms of social enterprise" (*ibid*, pp. 252-3), but also in the target organisations to be drawn on for interviews and focus groups. It is not clear how community enterprises, development trusts or similar organisations would fit into the researchers' typology. Moreover, the "new-start" type is restricted to "new businesses created from scratch", many of which the researchers found were related to fair trade, "green", recycling, or other new social movements. Most importantly, the overall emphasis of Spear et al's paper is on how the origins and development paths of social enterprise may have profound effects on the structures and challenges of governance; it is not about historical traditions focussed on the *central purpose* of each social enterprise type, as the present paper proposes.

The second example (Teasdale 2012a) proposes a similar five-category classification of social enterprises, although this does not use social enterprise origins or a historical approach (Table 2). Instead, Teasdale shows how different actors construct divergent social enterprise discourses ("earned income", "delivering public services", "social business", "community enterprise", and "co-operatives"), each related to one of a series of theoretical assumptions, and he uses that to propose a classification of social enterprises, providing an example of each social enterprise type. The theoretical assumptions (which are not necessarily inconsistent with each other) purport to explain the emergence of social enterprise on the basis of four of the emergence theories discussed in section 4 above (state/market failure; resource dependence theory; institutional theory; and voluntary failure), plus social economy.

Table 2: Social enterprise discourses, theoretical assumptions and organisational forms

| Discourse | Theoretical assumptions | Umbrella body | Organisational example |
|--|---|--|--|
| Earned income (social enterprise activity—voluntary organisations have always sold goods and services) | Resource dependence —earned income as a response to declining state and philanthropic funding. | National Council for Voluntary Organisations | Oxfam (the aid and poverty relief charity derives most income from grants and private giving, but a growing proportion comes from the sale of second-hand and fair trade goods) |
| Delivering public services (the state should fund—rather than deliver—services; the third sector should expand to fill the gap) | Voluntary failure —the third sector does not have the capacity to deliver welfare services and requires infrastructural investment to meet the challenges. | Association of Chief Executives of Voluntary Organisations | Turning Point (derives over 90% of its income through contracts to deliver drug and alcohol services on behalf of the state) |
| Social business (social enterprises [SEs] are businesses which apply market-based strategies to achieve a social or environmental purpose, which is central to their operation; this purpose distinguishes SEs from commercial businesses, but SEs can distribute surpluses and do not require an asset lock) | State failure —the inability of the public sector to deliver effective welfare services has led social enterprises to fill the gap. | Business in the Community | Carbon Retirement Limited (for-profit business which allows businesses and individuals to offset their carbon footprint) |
| Community enterprise (development trusts are community enterprises working to create and retain wealth in communities, trading on a “not-for-personal-profit” basis, re-investing surplus in the community, and effecting “triple bottom line” outcomes) | Market failure —the failure of the private sector to allocate resources equitably. | Development Trusts Association | Sunlight Development Trust (community-owned and managed charitable organisation, with a mix of social, medical and community services aimed at everyone in their community) |
| Co-operatives (different way of doing business, because jointly owned and democratically controlled by members, who are the beneficiaries of the business activities) | Social economy —a more radical tradition that sees capitalism itself as the problem. | Co-operatives ^{UK} | Any Co-operative —an organisation conforming to the International Co-operative Alliance definition given at section 6.1 below |

Source: Teasdale (2012a), Table 1, pp. 104-5.

Whilst some or all of the five kinds of social enterprise discourse could be seen as representing different social enterprise traditions or central purposes, that is not the prime intention or focus of Teasdale's classification: there is a passing reference to the "more radical tradition" of the social economy theoretical assumption, but no other mention of either tradition or central purpose (as opposed to social purpose) in the paper. Teasdale's fundamental aim is to demonstrate how different actors, representing varied interests, have used contrasting social enterprise discourses to explain and expand the contested meaning of "social enterprise", in order to compete for the attention of policy-makers and obtain resources. At the same time, the policy-makers were only too happy to develop and maintain a broad and inclusive definition of social enterprise, which gave (and continues to give) both the impression of policy cohesion and the perception of social enterprise being used to tackle a variety of social problems (Teasdale 2012a).

The third example is that of Alter (2010), whose social enterprise typology attempts to set out a variety of concepts of social enterprise based on the sustained creation of social value, focussing on the level of integration of their social and business objectives and operations. "Social enterprise" is discussed both as a practice or activity, and as an organisational form, "an institutional expression of the term social entrepreneur" (the individual) (*ibid*, p. 8). The typology briefly considers the historical development of a range of different organisational types (including co-operative, fair trade, community, "Government funders", and philanthropic forms). It contextualises social enterprise as one of four hybrids on a spectrum between traditional non-profits and traditional for-profits (the others being: non-profit with income-generating activities, socially responsible business, and corporation practising social responsibility). A "sustainability equilibrium" is achieved through "dual value creation", balancing social purpose (social value creation) with economic purpose (economic value creation); the concept of "blended value" moves from measuring multiple "bottom lines" (economic, social and environmental) to a single blend of these three values—the creation of blended or total value.

According to Alter, social enterprises can be classified based on (a) mission orientation (mission-centric, mission-related, or unrelated to mission) or (b) the level of integration between social programs and business activities (embedded social enterprises, integrated social enterprises, and external social enterprises, in which the levels of integration are respectively comprehensive, overlapping, and distinct). There is also an apparently inchoate third classification, based on target market, as well as a whole series of potential operational models of social enterprise, based on a range of factors—"financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment" (*ibid*, p. 61). Furthermore, "Fundamental models can be combined and enhanced to achieve maximum value creation" (*ibid*). The resulting typology is highly complex and multidimensional, and it is unclear how it should or can be applied in practice.

Although there are several areas of apparent overlap between these three approaches and the typology proposed here, neither Teasdale, Spear et al. nor Alter provide a list of definitive criteria or characteristics (or any other means) to enable their respective typologies to be used to classify any given set of social enterprises. This paper attempts to go much further, by suggesting how the social enterprise typology proposed below relates to the "welfare triangle" (section 7), and how it might be applied to classify social enterprises (section 8).

6. A PROPOSED SOCIAL ENTERPRISE TYPOLOGY, BASED ON DIFFERENT SOCIAL ENTERPRISE TRADITIONS, REPRESENTING DISTINCT PURPOSES

An alternative explanation for the emergence of social enterprise (which does not necessarily exclude other emergence theories) can be found by considering the range of historical origins and purposes which have led to the modern multifaceted concept of social enterprise. Different historical *traditions*, which represent distinct *purposes*, have given rise to separate types of organisation, relatively recently gathered together under the “social enterprise” umbrella. Social enterprise has not suddenly appeared, or been created, from nowhere. It has evolved from the intertwining of several broad traditions, each of which can be classified by a different fundamental purpose:

- 1 MUTUAL PURPOSE: *Co-operation and mutuality*—older forms of social economy enterprises arising from voluntary associational action by the working classes to promote alternative economic institutions, controlled by themselves, for their mutual interest, benefit and support.
- 2 COMMUNITY PURPOSE: *Community and voluntary association*—community development in a particular geographical location, communitarianism and associationalism, based on organisation of the conduct of society more generally, and involving collective and co-operative organisation and control.
- 3 ALTRUISTIC PURPOSE: *Charity and philanthropy*—the charitable, philanthropic, voluntary, or “non-profit” sector, concerned with the improvement of one or more of the following: individual or group health, education, welfare, or the alleviation of poverty.
- 4 ETHICAL PURPOSE: *Alterity and radicalism*—social radicalism and alternative ecological and “new age” movements, based on ethical values and more radical societal change.
- 5 PRIVATE MARKET PURPOSE: *Business and enterprise*—primarily viewed as the province of the private sector, serving individual or group needs or wants through markets and for private profit.
- 6 PUBLIC STATIST PURPOSE: *Public social enterprise*—reconfiguration or “externalisation” of public services in social enterprise organisational form, with the expressed aims of improvement and innovation in the provision and delivery of services, but potentially also in order to limit the size of the state and to reduce public expenditure.

This paper argues that most of the confusion and debate as to what is meant by “social enterprise” arises because of the diversity of these origins and purposes, the overlaps between them, the emphasis given to each tradition in any of the many possibilities in which their varied elements can be mixed, and sometimes the failure to recognise alternative approaches. The literature on social enterprise, social entrepreneurship and the wider social economy can broadly be grouped within these approaches. Sometimes, strong weight given to one—or one particular mix—of these traditions (e.g. Pearce’s [2003] exclusive definition stressing co-operative values, common ownership, community and alterity/societal change, or the forceful

accent on business and enterprise of Black & Nicholls [2004]), may even appear to deny the essential legitimacy of another model.

All six traditions identified above can be seen to have contributed, jointly and severally, to what we now recognise as “social enterprise”. Each of the traditions (in its own way) represents dissatisfaction with current circumstances, the identification of unmet needs (explicit or implicit), and a desire both to meet those needs and to change things for the better. The first three, arguably the fourth (and, some would suggest, the sixth), form parts of the “social economy” (for which “third sector” or “solidarity economy” are frequently used as synonyms, in spite of substantial variations in meaning in different countries [Moulaert & Ailenei, 2005]). In addition, the first four all reflect broad notions of equity and fairness, and can be seen as responses to perceived failings of the private market and/or the public state.

Table 3 shows the key aspects of the six traditions of social enterprise. The table identifies and considers, for each of the “traditions”, its basis, central values, primary beneficiaries, potential legal or organisational form(s), and primary income source(s).

Table 3: Key aspects of the six traditions of social enterprise

| Social enterprise tradition & purpose | Basis | Central values | Primary beneficiaries | Potential legal or organisational form(s) or status ** | Primary income source(s) |
|--|---------------------------------------|---|-----------------------------------|--|--|
| Mutual | Co-operation & mutuality | Worker / customer solidarity | Members | IPS (co-op) CIC Mutual Other co-op | Earned, contracts |
| Community | Community & voluntary association | Community solidarity | Community | IPS (bencom) Community co-op CLG Unincorporated CD Corporation | Grants, public contracts, earned |
| Altruistic | Charity & philanthropy | Individual & organisational giving | Individuals & groups in community | Charitable CLG CIO Unincorporated | Philanthropy, trading (primary, ancillary, small, non-primary) |
| Ethical | Alterity, sustainability & radicalism | Ethics, conscience & touching the Earth | Local & wider community, world | IPS (co-op) Other co-op CLG, CLS Unincorporated | Trading, contracts, grants |
| Private market | Business & enterprise | Private profit, customer & social benefit | Owners, shareholders (community?) | CLS PLC CLG CIC | Earned, contracts |
| Public statist | Public social enterprise | Public service | Service users, community | LATC Mutual Co-op | Public contracts, earned |

** N.B. For explanation of abbreviations, see list of organisations in section 2 above.

The following subsections discuss each of the six traditions in turn.

6.1. Mutual purpose: Co-operation and mutuality

The mutual purpose tradition of social enterprise can be traced back to co-operative antecedents in the eighteenth century, and the enlightened paternalism of Robert Owen's New Lanark (1820s to 1846), but the UK co-operative movement really began to develop following the opening of the Rochdale Pioneers' store in 1844 (Thornes 1988; Cole 1944).

These early co-operators responded to the impacts of industrial capitalism through radical, utopian schemes of mutual support, practical self-help, and education. However, by the end of the nineteenth century, the development of parliamentary politics and the advocacy of state socialism had largely replaced this radicalism and utopianism (Gurney 1988).

From the mid-1970s, with the gradual breakdown of the Fordist model of capitalist accumulation and regulation, the social economy enterprise re-emerged—both as a response to new difficulties and accompanying opportunities, and in consequence as an important subject of national, European and wider governmental policies (Amin et al. 2002; Fillion 1998; Fontan & Shragge 2000; Tomás Carpi 1997). A new “wave” of worker and “lifestyle” co-operatives in the UK formed part of this re-emergence (Coates 1976; Pearce 2003).

Co-operatives are intended to be viable enterprises, but with people at the centre of the business rather than capital. The International Co-operative Alliance (ICA) defines a co-operative as:

...an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. (ICA 2013)

Co-operative members therefore jointly own, control and benefit from the activities of the business. Co-operatives are founded on the values of self-help, self-responsibility, democracy, equality, equity and solidarity, with members also believing in ethical values (honesty, openness, social responsibility and caring for others), and guided by seven co-operative principles for putting the values into practice (*ibid*). The third co-operative principle (“member economic participation”) states that members may allocate surpluses to any or all of the purposes of: developing the co-operative (including setting up reserves—part indivisible), benefiting members in proportion with their transactions with the co-operative, and supporting other activities approved by the membership (*ibid*).

The seventh co-operative principle emphasises “concern for the community” (*ibid*), but a co-operative exists primarily for the mutual benefit of its members.

6.2. Community purpose: Community and voluntary association

Over the last four decades, in the UK, other European countries, Canada, and elsewhere the “community” tradition has been by far the most significant of the six traditions identified (though this may be in the process of change, with the growing emphasis on private market and public statist purposes over the last decade—see 6.5 and 6.6 below).

Community ownership, control and development underpin such social economy variants as “community enterprise”, “community business”, “community co-operative”, “development trust”, “community-based enterprise” (CBE), and “community economic development” (CED). Much recent thinking around such community initiatives has its roots in the ideas of communitarianism (Etzioni 1993; Tam 1998), associationalism (Hirst 1994), the Third Way (Giddens 1998), and especially the concept and role of “social capital” in facilitating collective

action (Putnam, 2000). These are all relatively recent manifestations of a rekindled and increasing interest in community, concerns about the efficacy and costs of either state or market “solutions” in addressing social needs and problems, and rising expectations of the potential of individual and community empowerment as an alternative.

However, like both “social enterprise” and “social capital”, the concept of “community” is itself vague, slippery and profoundly ambiguous, being both utopian (as key to ambitions for radical change and an articulation of “what is missing”) and ideological at the same time (Levitas 2000).

“Community enterprises” (used here as shorthand for all the community social economic variants listed above) can be defined as trading organisations, combining both commercial and social activities, whose key characteristics are that they are owned, led and controlled by the local stakeholders of a particular area of benefit, and whose surpluses are not distributed to members or directors of the organisation, but are reinvested or applied for community benefit (Pearce 1993).

The principles of community enterprises thus have some similarities to those of co-operatives, but the benefits are aimed at, and spread more widely through, a specific local community—generally a geographical area, but sometimes a community of interest (Pearce 1993; Smallbone et al. 2001). Thus, although community enterprises are social enterprises, social enterprises are not necessarily community enterprises. For instance, social enterprises which are not tied to a particular location may relocate, for business operational reasons.

There are mixed views about the potential for community enterprise-type initiatives. For Peredo and Chrisman (2006), a CBE represents “a community acting corporately as both entrepreneur and enterprise in pursuit of the common good” (*ibid*, p. 310). However, the very economic, social and political circumstances resulting from post-Fordism, which seem to offer such high hopes for CED amongst economically marginalised groups and communities, at the same time present several major obstacles to the growth of CED (Filion 1998). Filion identifies: (a) the intractable economic conditions in declining areas with high levels of persistent unemployment and low effective demand; (b) the vulnerability of CED organisations to government cutbacks in funding to support CED; (c) ideological barriers; and (d) the inherent limitations on the capability of CED ventures to compete with mainstream firms (*ibid*, pp. 1111-3).

Haughton et al. (1999) discuss the re-emergence of CED as a “bottom-up” result of a priority inserted by the European Commission into European Structural Fund programmes from 1994. For them, CED was “an experiment in progress” (*ibid*, p. 218), and they go on to caution:

... it is important not to get too carried away with notions of empowering communities to take on their own regeneration, allowing the state to withdraw further from economic development activities. There are limits to grassroots approaches which have yet to be fully articulated.

(*ibid*, p. 222)

The way in which community purpose social enterprises (and indeed social enterprises in general) are evaluated is critical in assessing whether or not they can be regarded as successful, because they are not simply economic and commercial businesses, but have wider community and social aims and benefits, which are difficult to bring into any assessment framework (Chanan 1999; Williams 2000).

Hayton (2000) is a good example of evaluation of the social economy primarily from a narrower commercial viewpoint. Specifically referring to community businesses, he questions the whole idea of “trying to make a business-community hybrid work that has had very limited success after being tried for over 20 years in Scotland” (*ibid*, p. 203). He criticises the disappointing performance of this form of community-based economic development, particularly questioning the benefits of the considerable financial resources invested, and the lack of cost-effectiveness and commercial viability of the community businesses supported. On the other hand, whilst the community co-operatives of the Highlands and Islands of Scotland have seen both successes and failures, several continue to thrive after more than 30 years, and new ones are still being created (Gordon 2002c).

6.3. Altruistic purpose: Charity and philanthropy

Charity provides a valued legal status (for tax relief, fundraising and promotional reasons), in addition to the organisation’s chosen legal form. English charity law was originally provided in the Charitable Uses Act of 1601, which listed four activities considered charitable: the relief of poverty, the advancement of education, the advancement of religion, and other purposes beneficial to the community. These remained the only legally recognised areas of charitable action until the implementation of the Charities Act 2006, which stipulated a new list of 13 charitable purposes, including: the advancement of health and the saving of lives; the advancement of citizenship or community development; the advancement of the arts, culture, heritage or science; the advancement of environmental protection or improvement; the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage (long recognised); and other purposes that are currently recognised as charitable or are in the spirit of any purposes currently recognised as charitable (which would include relief of unemployment). In addition, the 2006 Act now requires all charities to demonstrate that their aims are for the public benefit. Importantly for their consideration as social enterprises, charities may trade to achieve their objects, or in other specified circumstances (Martin 2008; Barber & Laycock 2009).

The voluntary sector in the UK has always sought a partnership between itself and the state, but the nature of this relationship has changed over time (Harris 2010). Philanthropy (i.e. helping or promoting the well-being of others) grew to be of great importance in the UK by the late nineteenth century, but declined thereafter, because the voluntary sector was progressively unable to cope with the extent of the problems arising from social conditions, and the growth of citizen needs and demands. Government became increasingly involved, eventually leading to the introduction of the welfare state and its appropriation of many health and welfare functions from the voluntary sector (Prochaska 1988). However, there has been great continuity of charitable traditions and philanthropy has proved highly resilient and capable of adaptation. The real change in the balance between the statutory and voluntary sectors has come about through the efforts, which began in the 1980s and have continued ever since, to reorganise welfare service provision, so as to give a far larger role in service delivery to voluntary organisations (Harris 2010). Kendall’s (2003) view is that there was a “step change” for the voluntary sector from the late 1990s, when New Labour came to power. The Coalition Government has sought to continue the process of reducing the public sector’s role in service delivery mainly to that of commissioner and funder, and opening service delivery to tender by private and third sector organisations (HMG 2011b), as well as aiming to increase individual and corporate giving through a variety of methods (HMG 2011a).

6.4. Ethical purpose: Alterity and radicalism

The social economy has always encompassed both a pragmatic/reformist vision (using targeted initiatives to ameliorate specific social welfare problems) and a radical utopian vision, seeking fundamental change to the social order (Fontan & Shragge 2000). The ethical purpose tradition reflects the latter. Most radical social economy thinking has been directed at achieving social justice for people suffering disadvantage at the margins of capitalism (Amin et al. 2002). Increasingly, ecologism has emerged as another radical purpose for social enterprise, though it is arguable that social justice and ecology are closely interrelated (Jackson 2009; Dietz & O'Neill 2013). In sharp contrast to environmentalism, ecologism radically challenges existing politics, economics and society on the basis of what is feasible and desirable on a finite planet (Dobson 2007).

Economic growth and development almost always take precedence over social justice, ecological or sustainability considerations. Nevertheless, building on the development of community economic initiatives in the 1970s and 1980s, visions of sustainable community-based economies, based on sound ecological and spiritual principles at a human scale (Dauncey 1988; Daly & Cobb 1989), sowed the seeds of the “new economics” and established close linkages between ecologism and what has now become known as social enterprise. Much of this thinking has continued in the work of the recent Transition Movement, with its translation of ecological and community concerns into practical local action (Hopkins 2008). Hopkins sees social (and other local) enterprise development as part of “the next key stage in the evolution of the Transition movement” (Hopkins 2011). In his discussion of economics for “prosperity without growth”, Jackson views social enterprises as possible “seeds” for a new, low-carbon economy (Jackson 2009), whilst Dietz and O'Neill (2013) see co-operatives and public interest companies (e.g. the UK's CIC) as less prone to growth and especially suitable for a steady-state economy.

6.5. Private market purpose: Business and enterprise

One aim of social enterprises is to be profitable and financially self-sufficient as a result of their income from sales and contracts, thus emphasising the business and economic dimensions of social enterprise. However, with a wide diversity of possible organisational forms, no necessary link to a geographical community, and growing adoption of standard business practices, it can be difficult to distinguish some social enterprises from traditional businesses, which in any case can usually themselves be said not only to have at least some social objectives, but also the challenges of the developing corporate social responsibility agenda (Tracey et al. 2005). Nonetheless:

We must reject the idea—well-intentioned, but dead wrong—that the primary path to greatness in the social sectors is to become “more like a business”.

(Collins 2006, p. 1)

Dart (2004a) found evidence of at least four different dimensions to what is meant by “business” in non-profit organisations: “business-like goals, business-like organization in terms of service delivery, business-like organization in terms of management, and business-like organizational rhetoric” (*ibid*, p. 297). His research suggested that commercial and non-profit goals could be at least narrowly compatible, but the reorganisation necessary to align business and social goals in his case study organisation meant that services grounded in basic needs were lost in favour of the pursuit of mission-oriented services producing greater revenue; whilst there were some benefits gained from a more commercial approach, the organisation's services were fundamentally transformed, with valued services being reduced

(*ibid*). SEEDCO (2007) also raises serious questions about the mixing of commercial and social purposes (and see Teasdale 2012b).

Dees (1998) highlights the centrality of the social mission for social entrepreneurs; social impact is the yardstick, not wealth creation. However, the contrast in the interpretation and application of “value” (“monetary and real”) stems from the dominance of the market paradigm over the social economy paradigm:

The market paradigm limits itself to monetized evidence of economic activity, whereas the social economy paradigm considers the full range of monetized and non-monetized activities as well as indicators of social inequality when drawing a picture of the standard of living in a community.

(Fasenfest et al. 1997, pp. 13-14)

In essence, there are two opposed schools of thought about the association of the language and practices of business and markets with social enterprise and social concerns generally:

- 1 The practices of business and markets can be readily and usefully applied to address social needs and problems, and this should be encouraged;
- 2 Business is not the answer and compromises social aims, so needs to be treated with great caution, or minimised, or even rejected altogether.

Social sector organisations can gain moral legitimacy (and therefore resources) by conforming to the isomorphic pressures of the social environment and key stakeholder preferences for the commercial model of social enterprise (Dart 2004b). This is true even for co-operatives, to enable them to compete more successfully in deregulated global markets. Spear (2004) observes the late-twentieth-century trend away from mutualism and other co-operative or social economy values and towards isomorphism with conventional business, which has happened despite co-operative structures having inbuilt normative and constitutional safeguards, based on the co-operative principles, intended to counter such tendencies.

Moreover, for Eikenberry and Kluver (2004), the “marketization of the non-profit sector” involves commercial revenue generation, contract competition, the influence of new, wealthy donors (the “new—or venture—philanthropy”) with their emphasis on results (“return on investment”), and social entrepreneurship; they suggest it offers several benefits (improved resource flows, efficiency, innovation, targeting, legitimacy, and perhaps accountability). However, they say this is at the expense of the role of the non-profit sector in bringing about and safeguarding a strong civil society, which is thereby put at risk. Because of the focus on the bottom line and the need for profit, the “inherent value” of the goals and missions of non-profits are jeopardised, their service and advocacy roles on behalf of the poor and to address community needs are reduced, and the social capital they create and maintain is diminished (*ibid*).

In spite of the reservations highlighted here, UK government policy—under both Labour and Coalition governments—has focused first and foremost on social enterprises as businesses.

6.6. Public statist purpose: Public social enterprise

The most recent of the traditions is based on entire public services being transferred to newly-formed social enterprises to run, or being themselves reconstituted as social enterprises (or mutuals). This can also include social enterprises or other third sector organisations contracting with public authorities (particularly the National Health Service and local government) to deliver “public” services, where the contract is the social enterprise’s sole or

primary source of income, or the main purpose of the organisation is to deliver “public” services, or public service contracts generally. It is difficult to be definitive in these cases, and this paper argues that a third sector organisation which takes on any given public sector contract as part of a range of contracts or other earned income should be regarded as being a social enterprise of one of the first five traditions, rather than primarily a public statist purpose social enterprise, unless the organisation’s public statist income and purpose is predominant; this is likely to be a matter of fact and degree in each case.

Over the last 20-30 years, under successive UK governments, there has been a shift in welfare provision, from a “state provision” model to a “contracting out” model (Di Domenico et al. 2009). The aims of transferring or contracting out public services to social or mutual enterprises have been to bring about public service modernisation through the benefits traditionally associated with the voluntary and community sector (VCS)—namely: pluralism, innovation, flexibility, competition, variety, responsiveness and more democracy and accountability—together with greater involvement of people and communities and the wider strengthening of civil society (Paxton & Pearce 2005). In a qualitative study of five “new leisure trusts” (transferred out of the public sector and contracting or in partnership with local councils), Simmons (2008) found encouraging evidence of more enterprise, innovation and competitiveness, improved performance in terms of usage, growth in income and reduced expenditure, greater responsiveness to community needs and increased stakeholder participation, than had existed before the transfers took place, albeit there were also some concerns about achieving greater social inclusion, autonomy leading to loss of local authority control and ability to plan strategically, and accountability.

From about 2002, there was a pronounced shift in thinking towards social enterprise involvement in public service delivery following the publication of the then government’s social enterprise strategy (DTI 2002), the Treasury’s cross-cutting review of the role of the voluntary and community sector in service delivery (HMT 2002), the introduction of the Futurebuilders investment fund for VCS public service delivery (HMT 2003) and the publication of a public procurement toolkit for social enterprises (DTI 2003) (Di Domenico et al. 2009). More recently, and particularly since the formation of the Coalition Government in May 2010, there has been an increased urgency to realise the potential for turning public services themselves into social enterprises or mutual organisations.

Carmel and Harlock (2008) argue that the state is extending its governance to the VCS through the creation of a “governable terrain” of the third sector by means of partnership, procurement and performance mechanisms. They contend that this institutes a market model of public service delivery, with contracting and competition, and the prioritisation of economic rationality and financial calculation; the result is technocratic, and both socially and politically neutral. As with private market tradition social enterprises, one worry is the possible mission drift from broad social purpose to commercialisation (Purkis 2010; Teasdale 2012b).

A particular concern arises if there is no asset lock accompanying a given transfer of services, because of the potential or actual loss of “common” or “social” ownership when assets are alienated or subsequently sold off. In the absence of an asset lock, such loss cannot be prevented (Powell 2011).

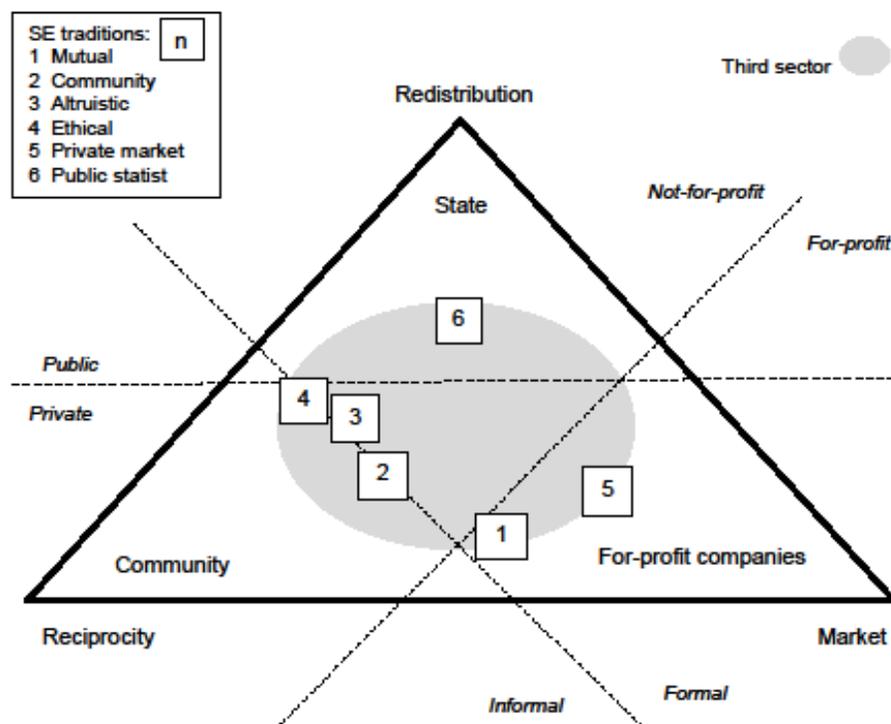
7. MAPPING THE TRADITIONS ONTO THE “WELFARE TRIANGLE”²

Having developed the reasoning underpinning the traditions typology, it is instructive to see how it might relate to an attempt to define the landscape of social enterprise in the wider economy.

ICSEM (2013) presents a modified version of the “welfare triangle” (Pestoff 1998), specifically for social enterprise. The welfare triangle is one representation of the “welfare mix”, in which a combination of different actors, rationales and resources operate in society (Evers 1995; Pestoff 1998; Evers & Laville 2004). The third sector is seen as an “intermediate sector”, whose organisations cannot be viewed as fully distinct from the public or private sectors (Evers 1995). They relate to Polanyi’s (1944) principles of redistribution and reciprocity, as well as to the market (Evers 1995).

Figure 1 is a further adaptation of the welfare triangle diagram to suggest how the six social enterprise traditions discussed in the present paper might be mapped onto this framework.

Figure 1: Social enterprise traditions and the welfare triangle



Source: adapted from ICSEM (2013), Appendix 2, p. 19, itself based on Pestoff (1998)

Three actors can be found in the corners of the triangle: for-profit companies, the state, and the community (including households and families). These correspond, respectively, to the plural economic exchange principles of the *market* (supply and demand traded through price), *redistribution* (production distributed through a central authority), and *reciprocity* (voluntary, independent of any central authority, and complementary). Organisations of the

² The author is grateful to Paulo Cruz Filho for suggesting consideration of this.

third sector—including social enterprises—mix different combinations of resources, rationales and actors, which underlines both synergy and hybridity, and the boundaries between sectors are indistinct (indicated by dotted lines) and not fixed (ICSEM 2013).

The suggested location of the first to fourth traditions emphasises the porosity between sectors. Without wishing to be too definitive, given this flexibility in the mix of actors, rationales and resources, a social enterprise of the mutual tradition (1) will aim to be a profit-making enterprise, but its values and principles are likely to involve it in some non-profit and community activities, so it is at the boundary of profit and not-for-profit, and tending towards the community and the informal. Community purpose (2) and altruistic tradition (3) social enterprises can be formal or informal, as can ethical tradition (4) organisations, but the latter may verge towards the public sector. Only the private market purpose (5) and public statist tradition (6) social enterprises seem on the face of it clear-cut, although even they can in practice blend different mixes of actors, rationales and resources.

Because of the flexibility and synergy of the potential combination of elements, it is important to emphasise that the suggested social enterprise positions on the diagram are not immutable, and that these variations may give rise to considerable hybridity.

8. POTENTIAL USE OF THE TYPOLOGY TO CLASSIFY SOCIAL ENTERPRISES

One purpose of the proposed social enterprise typology is to be able to classify any group of social enterprises according to historical traditions and their associated purposes. This has already been done for a previous survey by the author (Gordon 2013). Such a classification can then be applied in statistical analysis to any given survey data to find out how different types of social enterprise operate and compare with each other (*ibid*). This section of the paper discusses the principles of this process and potential characteristics of each social enterprise tradition which might be used in classification.

Clearly, it is best to set up a questionnaire survey using specific characteristics and survey questions based on these attributes from the outset. The problem with “retrofitting” classification categories to pre-existing surveys (as in Gordon 2013) is that responses to the questions posed commonly do not allow definitive and unambiguous classification and may therefore need to be subject to interpretation to enable a classification decision to be made.

Table 4 highlights some of the indicative characteristics for each of the social enterprise traditions, and it can readily be seen that, even where a characteristic may appear essential to a particular tradition, that does not necessarily make it unique to that tradition, thereby making it difficult to use the characteristic in any conclusive defining sense. Thus, whilst the core productive activities of a social enterprise in the altruistic tradition might be expected to be “mission-centric”, that characteristic may also be found in ethical purpose social enterprises, and could well be seen in enterprises of other traditions, so it cannot operate uniquely to classify social enterprises into the altruistic tradition.

Similarly, whilst a mutual purpose social enterprise will be an organisation with members, so too are associative enterprises of other traditions. We can also see this in respect of distribution to shareholders, which might be thought to define private market purpose, but which can be found in other traditions; conversely, the non- or limited distribution usually to be found in co-operatives or mutuals can additionally be found in the constitutions of other purpose social enterprises.

Further examples can be observed in relation to governance, such as in relation to the “one member, one vote” principle (OMOV), signalling the extent of democratic control and participation in decision-making, which is intrinsic to the mutual purpose tradition, but also highly pertinent to the community and ethical purpose traditions, and potentially relevant to the altruistic, private market, or public statist purpose traditions, dependent on the aims and constitution of any given organisation.

However, there may be some instances where an important specific characteristic inherent in one tradition can be used to define enterprises of that tradition, even though it can be found in other traditions as well. An example of this is the fundamental significance of the co-operative type or legal form to the mutual purpose tradition, whilst it also exists in the form of the “community co-operative”, which can therefore be considered a “hybrid”, combining features of both the mutual and community traditions. Judgement needs to be exercised here. We need to be careful not to overwork the potential for such crossovers, because if they can exist in most or all traditions, they become useless as distinguishing features and could easily turn most enterprises into hybrids. It is possible to use category crossover characteristics *added* to unique characteristics to help allocate social enterprises between categories, but if there are too many defining characteristics, the potential for muddying of the category boundaries and hybridity increases again.

Ideally, therefore, the characteristics needed for classification should be fairly simple and straightforward, limited in number, essential to any given social enterprise tradition, and preferably unique—although the latter is difficult to achieve, especially given the tendency towards increasing hybridity which has been noted above. The following key characteristics of the six social enterprise purposes are proposed in order to allocate organisations to social enterprise traditions.

Table 4: Application of the SE traditions typology: indicative characteristics

| SE tradition & purpose | SE type (i.e. legal form) | Production relative to social mission | Targeted stakeholders | Governance & ownership structure | Financial structure |
|------------------------|---|---------------------------------------|--|--|--|
| Mutual | Co-operative Specific SE mutual legal form | | Workers or others (members) | Organisation with members Workers or consumers or users / private customers OMOV principle | Non- or limited distribution: either prohibited, subject to a cap per share, or distribution only to a non-profit parent organisation. |
| Community | Association Ltd company Community co-operative | | Others (geographical community or community of interest) | Third sector organisations (TSOs) or consumers or other individual shareholders OMOV principle Citizens or TSOs or users / private customers | Non- or limited distribution: either prohibited, subject to a cap per share, or distribution only to a non-profit parent organisation. |
| Altruistic | Foundation (e.g. foundation, NPO IRC s.501(c)(3) exempt, charity) | Mission-centric | Individuals & groups in community as objects of altruistic purpose | Other individual or private company or TSO shareholders Donors or expert or private business sector representatives | Distribution of profits prohibited. Philanthropic monetary resources >50% Tax exemption |
| Ethical | Trust Ltd company | Mission-centric | Local & wider community, world | Other individuals or TSOs Citizen or expert or Third Sector or worker representatives | |
| Private market | Sole proprietor Ltd company Partnership | | Others (owners or shareholders) | Private companies / private business sector According to the number of shares | Distribution to shareholders Earned income mostly (or largest proportion) from private sources Public sources of revenue <50% |
| Public statist | Mutual Ltd company | | Others (service users or community) | Government agencies | Earned income mostly (or largest proportion) from public sources Public sources of revenue >50% |

8.1. Mutual purpose tradition

Mutual or co-operative type or legal form should be sufficient and conclusive. Benefit to members (if indicated in the social mission statement) and/or a distribution constraint would help confirm the classification, but are not definitive on their own. (As suggested above, a community co-operative will fall into both mutual and community traditions, but should probably be regarded as primarily community purpose, as it exists for the benefit of its members—and others—in a defined geographical community or community of interest.)

8.2. Community purpose tradition

Interpretation is necessary to identify community purpose social enterprises. There should be some clear indication of an organisation existing for the benefit of a geographical community, or community of interest, which should be evident from the social mission statement. The enterprise will probably have been initiated by a group of citizens/individuals or a third sector organisation/association. The name of the social enterprise may also be indicative of an organisation existing for the benefit of a particular geographical area, or constituted in a community-focussed way (e.g. Basildon Community Business, Langdon Hills Community Association, Pitsea Development Trust, Laindon Community Co-operative, etc.), but the enterprise's name on its own is not necessarily conclusive. A distribution constraint would help confirm the classification, but again is not definitive alone.

8.3. Altruistic purpose tradition

The key characteristic of the altruistic tradition is that it is charitable and/or philanthropic, and the primary indicators of this are that any given organisation is a foundation or takes a charitable legal form. This characteristic should be sufficient and definitive. Foundations are well-understood in European civil law jurisdictions. In common law jurisdictions, there are established equivalents, such as charities in the UK and non-profit organisations recognised as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) in the USA (usually referred to as charities). The social mission statement should confirm the organisation's charitable and/or philanthropic purpose and it is likely that the organisation's activities will be "mission-centric". One would also expect to find the distribution of any profits prohibited, a tax exemption, and a substantial proportion of revenues made up of philanthropic monetary resources (probably more than 50%, but this might be offset by investment income—or possibly even earned income). However, none of these five additional characteristics are conclusive and they should not be required.

8.4. Ethical purpose tradition

This is the most difficult of the traditions to identify. There are no obvious definitive indicators which could be used unequivocally to classify social enterprises of the ethical tradition. The key characteristic may be found in a social mission statement which demonstrates alterity, radical utopianism, and/or advocacy of fundamental social change, probably based on social justice and/or ecologism. However, it is likely that the ethical purpose tradition will be embodied in some kind of alternative community or unconventional form of enterprise or organisation, a radical alternative way of living, or an organisation promoting radical action and/or an unconventional lifestyle.

8.5. Private market purpose tradition

Characteristics of the private market tradition—e.g. private legal forms (e.g. sole proprietorship, limited company, partnership, etc.), voting power according to the number of shares, distribution of profits to shareholders, and earned income coming mostly from private sources—can also be found in other social enterprise traditions. Because of this, a combined determining characteristic needs to be used to identify private market purpose social enterprises: first, it must have a private legal form, and secondly, it must also *not* be a social enterprise of the public statist tradition.

8.6. Public statist purpose tradition

As with private market purpose social enterprises, characteristics of the public statist tradition can be seen in other traditions as well. The key characteristics of public statist purpose social enterprises are that (a) their income is predominantly from public sector sources and (b) their primary purpose is to deliver “public” services, or public sector contracts generally (see 6.6. above). Whilst the public statist purpose may be evident from the social mission statement, the most important indicator for this tradition is the revenue from public sources. For public statist purpose social enterprises, the operative percentage of public sources of revenue should be 50% or more.

8.7. Hybridity

Once variables have been created for each tradition on the basis of the key characteristics proposed above, a hybrid variable could and should also be created, so that the extent of social enterprise hybridity can be calculated. The variable could be constructed using the following SPSS syntax (or its equivalent), which would allow the production of a full range of hybrid combinations of the different social enterprise purposes [³]:

```
Compute Hybridp=mutualp + 10*communityp + 100*altruisticp + 1000*ethicalp +
10000*privatemarketp + 100000*publicstatistp.
```

Execute.

9. CONCLUSIONS

This paper has set out various aspects of the many diverse and contested understandings of the term “social enterprise”, together with some discussion of related matters (such as: the expectations and claims for social enterprise, social enterprise emergence theories, and the balance between social objectives and economic aims), as well as the difficulties to which the debates over all these give rise. It should not be surprising that there is no definitive agreement as to the meaning of “social enterprise”, nor that a consensus is unlikely. The debates about this, and around the problems resulting from the fuzziness of the concept, are potentially endless.

³ The hybrid social enterprise variable (Hybridp) combines the variables for each tradition/purpose (mutualp, communityp, altruisticp, etc) to calculate the extent of hybridity in the sample of social enterprises. The tradition variables are multiplied by a factor which increases tenfold for each successive variable in order to maintain the separate identity of the various traditions, by giving each of them its own decimal place in the calculation. The order of the tradition variables in the syntax does not matter. Percentages for each tradition/purpose and all hybrids can then be calculated (see, e.g. Gordon 2013, Table 5).

Several observers (e.g. Fourel 2001; Pearce 2003, 2009; Teasdale 2012a) appear to view the development of social enterprise as a linear sequence of evolving terminology and meanings. Without contradicting these explanations, it seems equally valid to interpret the contested nature of “social enterprise” more generally as a case of people approaching the subject from fundamentally different perspectives and talking (or not talking!) to each other at cross-purposes.

It should be evident from this paper that to search for—or attempt to prescribe—a single definition of “social enterprise” is a fool’s errand, a Sisyphean pursuit of a shifting mirage. This paper argues that such a quest ignores the historical traditions and discrete purposes out of which different forms of what has come to be known as “social enterprise” have arisen. Moreover, none of the emergence theories outlined in section 4, nor the typologies considered in section 5, themselves sufficiently explain the varieties of social enterprise.

The six different traditions set out in section 6 take a novel approach to understanding what is going on. Table 3 identifies key aspects of each tradition: its basis, central values, primary beneficiaries, potential legal or organisational form(s) or status, and its primary income source(s).

This paper has argued that these traditions are evident in the origins and development of social enterprise, and can also be used to classify the associated literature. As well as these, they help explain the extraordinary range of expectations for social enterprise, since each tradition has a distinct purpose. Moreover, as is proposed in section 8 above, they can be operationalised to classify a given sample of social enterprises, and it should be possible to assess the relative performance of different traditions of social enterprise by evaluating the sample thus classified against chosen measures of performance. Fundamentally, there is nothing particularly new about any of the concepts involved, but the terminology, meanings, and usage of, and relationships between, some traditions have changed over time. Often, the six traditions are treated separately, and discussed in isolation, but they are in practice inextricably linked and hard to disentangle, as reflected in the complex historical development of the social economy and social enterprise. Nonetheless, each of the traditions needs to be seen and understood in context, not bagged up together into one amorphous and meretricious whole, termed “social enterprise”.

In addition, both the increasing hybridity (which can be seen as a continuum of varied mixes—primarily of social and business aspects) and multidimensionality of social enterprise need to be borne in mind. The variety of potential combinations of actors, rationales and resources discussed in section 7 is another way of viewing this. It is clearly feasible for any given organisation to manifest features of more than one of the six traditions. (We have already seen this explicitly in relation to the public statist purpose tradition [see 6.6.], but it can equally apply elsewhere.) Potentially, any of the six traditions could—indeed, may need to—coexist (either within the generality of social enterprises, or within a specific enterprise) in a similar manner to the four related, but in some cases irreconcilably contradictory, “rival views of market society” (or combinations of them) discussed by Hirschmann (1986, pp. 135-9). For, as he says:

It is conceivable that, even at one and the same point in space and time, a simple thesis holds only a portion of the full truth and needs to be complemented by one or several of the others, however incompatible they may look at first sight.

(ibid, p. 137)

So it is with the six traditions of social enterprise. Moreover, social enterprise may also be viewed as socially (and politically) constructed in various different ways, especially as the hostage of specific advocates or (often) partisan stakeholders—in particular, government politicians and other policymakers (Teasdale 2012a), or those who control commissioning or funding purse strings, or opinionated social entrepreneurs with an axe to grind.

Given that social enterprises may fall into two or more categories (traditions), it might be thought that this would weaken the typology proposed. However, any hybridity should be viewed as a strength, not a weakness. Far from not telling us anything, hybridity underlines the messiness of the social enterprise concept. The traditions are not silos, and there is no “ideal” form of social enterprise; it is possible for a social enterprise to fit into two or more of the traditions simultaneously. It would be very surprising if the founders of social enterprises started by considering which tradition to use. They are much more likely to begin with what they are trying to achieve (mission and objectives), and what they can do in practice to create a sustainable social enterprise to fulfil that aim. The proposed typology is therefore retrofitting the traditions (messily, and as appropriate) onto what social enterprises actually do, rather than describing the origins of those enterprises *per se*.

Billis (2010b) offers a “... working hypothesis ... that organizations will have ‘roots’ and have primary adherence to the principles of one sector ... based on the inherent contradictory distinctive and conflicting *principles* (rules of the game) for each sector ...” (*ibid*, p. 56). The principles are in relation to five “core elements”: ownership, governance, operational priorities, distinctive human resources and distinctive other resources (*ibid*, Table 3.1, p. 55). This may or may not prove to be a way to address and resolve issues of hybridity. However, Billis is only considering the public, private and third sectors in relation to his hypothesis. He is not considering six different traditions of social enterprise within the third sector. For a similar approach to work to identify “primary adherence” to any one of the six traditions, the “core elements” of each tradition would need to be established and sufficiently defined, an undertaking beyond the scope of this paper.

There has been a predominant business emphasis in successive governments’ social enterprise policies. There is a clear danger of “mission drift”, thus narrowing down or not achieving part (or potentially all) of a social enterprise’s social purpose, when operation as a business takes precedence over social mission (see 6.5. and 6.6.). In practice, many would argue that the business has to come first, or the enterprise will have to cease trading (e.g. Black & Nicholls 2004). However, this begs some important questions: what is so distinctive about social enterprise in relation to any other business if the primacy of the social mission is removed? What is then the point of social enterprise, and why is it needed at all? Why bother with special policies for social enterprise? Of course, social enterprise has social *aims*, but what do these signify if they are always to be subordinated to business and market imperatives, especially if the social purposes are eroded as a result? Are social enterprises simply businesses, or something else—and, if so, what? These inconvenient questions come into even sharper focus when considering the move towards public statist purpose social enterprises (see 6.6.), or when an inclusive approach to social enterprise is taken, or when considering how to assess the claims made for social enterprise, or—often closely related to this—how to account for the difference (integral to its social mission) which social enterprise makes (Gordon 2009). In any event, however, there is no simple or satisfactory answer to these questions—which is why a pragmatic view is frequently taken, particularly by practitioners (hence, also, the often dismissive reactions to debates on the meaning of social enterprise by, or noted by, e.g. Brown 2003, p.3; Pearce 2003, p.31; Bridge et al. 2009a, p.60; Dearden-Phillips 2011). Nonetheless, such awkward questions still need to be asked.

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