Social Enterprise in the United Arab Emirates: A Concept in Context and a Typology of Emerging Models

Sarah JOHNSEN
Independent researcher, United Arab Emirates

ICSEM Working Papers
No. 42
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.

Jacques Defourny
HEC – University of Liege
ICSEM Project Scientific Coordinators

Marthe Nyssens
Catholic University of Louvain
ICSEM Project Scientific Coordinators
Table of contents

1. Introduction ................................................................. 4

2. A concept in context explained through a social constructionist lens ................................ 4
   2.1. The concept of social enterprise in peripheral contexts .............................................. 4
   2.2. Social constructionism .................................................................................................. 5
   2.3. Rationale behind the choice of a social constructionist perspective .............................. 6
   2.4. Constructs impacting upon the imported social enterprise concept ............................. 7
      2.4.1. Identified socio-economic development imperatives linked to a social contract in transformation .................................................................................. 8
      2.4.2. Islam: a fundament of the local society ................................................................. 10
      2.4.3. Philanthropy in the Arab world .............................................................................. 10
      2.4.4. The apparent near-absence of civil society ............................................................ 11
      2.4.5. A shift in the meaning and use of corporate social responsibility ......................... 11
      2.4.6. The absence of an appropriate translation of “social enterprise” in Arabic ............ 12
      2.4.7. Social and environmental challenges .................................................................... 12

3. The concept of social enterprise in the UAE: institutional trajectories ............................. 13
   3.1. Social enterprise as an imported concept promoted by public authorities and by the resident community ................................................................. 14
   3.2. Legal and regulatory environment .............................................................................. 16

4. Typology of social enterprise models in the UAE ............................................................. 20
   Step one: establishing a preliminary typology .................................................................... 21
   Step two: strengthening and refining the preliminary typology with findings from the ICSEM survey .................................................................................. 21
   4.1. Publicly-owned social enterprises ............................................................................. 22
   4.2. Privately-owned social enterprises .......................................................................... 23
      4.2.1. Self-contained social enterprises ........................................................................ 23
      4.2.2. Social enterprises incubated by a company’s CSR department ............................. 24
      4.2.3. Social enterprises which are part of an international non-profit organization, but are independently licensed in the UAE ......................................... 25
   4.3. Social enterprise in the welfare triangle .................................................................... 26
   4.4. Typology highlights .................................................................................................... 27

5. Concluding comments and further directions ................................................................. 28

References .................................................................................... 29

ICSEM Working Papers Series ................................................................................. 36

© Johnsen 2016. Suggested form of citation:

ICSEM Project c/o Centre d’Economie Sociale HEC Management School, University of Liège
Sart-Tilman, building B33, box 4 B-4000 Liège BELGIUM
Website: http://www.iap-socent.be/icsem-project e-mail: icsem-socent@emes.net
1. INTRODUCTION

The United Arab Emirates (UAE) is embedded in the Gulf region, itself situated in the Middle East and North Africa (MENA) region, which has hitherto hardly been mentioned in social enterprise academic works. Such an oversight can be explained by the novelty of the social enterprise phenomenon in the region. In Kerlin’s book Social enterprise: A global comparison, the MENA region was not included, with the motive that “during the stage of the book’s development these regions either had no known social enterprise movements or such movements had not achieved a broadly recognizable form” (Kerlin 2009).

This working paper is part of a pioneering research effort to explore the burgeoning social enterprise phenomenon in the MENA/Gulf region. It presents a contribution from the United Arab Emirates to the International Comparative Social Enterprise Models (ICSEM) Project, which aims to build knowledge about emerging or already well-established social enterprise concepts and models in a variety of contexts. The present paper draws on the author’s social constructionist approach and data collected in the UAE during the period from September 2013 to December 2014 (Johnsen 2015).

The following contribution is articulated around the ICSEM Project’s objectives, which are to depict a “snapshot” of the concept of social enterprise and contextualise it in specific national contexts, to identify social enterprise models and to provide a typology, as well as to describe the various models’ institutional trajectories. These objectives are reflected in the ensuing structure, which includes, beside the present introduction, three major parts and concluding comments. The first part (section 2) presents the concept of social enterprise in the UAE context, and introduces a social constructionist perspective as a method to make sense of the concept in its context and to serve as a theoretical basis for the elaboration of a typology. This section also provides a comprehensive overview of the various constructs present in the UAE and which are believed to influence the way in which SE is understood and shaped. In section 3, institutional trajectories impacting upon the evolution of the concept are discussed. Section 4 proposes a typology of social enterprises models, with a brief overview of the methodology followed. The paper closes with section 5, which is dedicated to concluding comments and describes potential avenues for future research.

2. A CONCEPT IN CONTEXT EXPLAINED THROUGH A SOCIAL CONSTRUCTIONIST LENS

2.1. The concept of social enterprise in peripheral contexts

A mental representation of social enterprise can be generated from various perspectives, depending on the investigator’s background and interest and the theoretical approach used to study the concept. The concept itself may acquire varying connotations, linked to a given context and its inherent constructs and institutions, and the functional and operational models of social enterprise taking place in this context. The level at which the concept is studied—as an alternative organisational model, or as an emerging public policy field—adds
multidimensionality to the concept. The organisational structure of social enterprise has been a popular research topic in recent years (Grant and Dart 2014), but social enterprise as a field has also received increased attention among policy makers (Sepulveda 2014).

This variation of perspectives stands as an idiosyncratic component of the concept of social enterprise, with its changeable nature emphasized in the different definitions proposed by Western prominent schools of thoughts. Still, some consensus is reached in considering social enterprise as an organisation combining attributes from commercial businesses and social organisations. Various definitional perspectives can be taken: from the for-profit standpoint, social enterprises can be defined as “businesses that trade for social purposes” (Sepulveda 2014), while, from the non-profit standpoint, they can be defined as organisations adopting commercial methods to achieve their social objectives. These standpoints remain valid in the context of the UAE.

The scarcity of academic research about entrepreneurship in countries situated outside North America or Western Europe is highlighted by Thomas and Mueller (2000). In particular, the void of research and inconsistencies within existing research is emphasized by Abdou et al. (2010) in their report on social entrepreneurship in the Middle East; these authors’ first recommendation stresses the need for a clear definition of the concept in this region. In other words, the conceptual situation of social enterprise in the UAE can be considered as a blank slate: the concept needs to be redefined within the socio-economic, politi, religious and cultural context of the region (Locke 2015). But providing a clear-cut definition of social enterprise in the UAE is beyond the scope of this paper, which rather aims, through the examination of contextual constructs believed to shape the concept, and the elaboration of a typology of models, to provide indications about what the concept entails in this given context.

2.2. Social constructionism

The term “social construction” was introduced in social sciences by Berger and Luckmann (1967) in their seminal book, The Social Construction of Reality: A Treatise in the Sociology of Knowledge. It can be defined as a process whereby a given society’s members make sense, over time, of their relation to each other, interrelate and organize themselves in repeated patterns, constructing rules, habits or heuristics and communicating them to other members, through the institutionalisation of their respective role. In turn, when these rules are endorsed by individuals belonging to a society, they become institutions inherent in this society. As a consequence, institutionalised roles and categories become the socially constructed “reality” of that given society.

A social constructionist lens, or approach, is understood in this paper as a methodological instrument allowing to shift the focus of the social enterprise concept from an ontologically organised structure to an organisation or a field internally or externally negotiated through social constructs (Grant and Dart 2014), and hence representing the reality in a given context.
Social constructionism is maintaining permeable links with cognitive constructivism, which is linked to psychology and refers to the aptitude of the human mind to process information from the external world and act henceforth (Martin and Sugarman 1997). As such, it is an investigation method which is intrinsically able to combine the micro level, represented by an individual, member of an organisation and/or a society, the meso level, represented by an organisation, and the overall context, including social, economic, historical, political, cultural, religious and linguistic elements (Chell 2008; Lindgren and Packendorff 2009; Grant and Dart 2014).

2.3. Rationale behind the choice of a social constructionist perspective

The need to look beyond a functionalist approach when investigating social enterprise as an organisational entity and as a field is well documented (Chell 2007; Grant and Dart, n.d.; Sepulveda 2014). The functionalist approach has been the theoretical backbone for social enterprise research, asserting the concept as “a distinct and novel organisation form” (Grant and Dart 2014: 94) and focussing on the common features of social enterprises as a distinct type of organisation. This approach was considered as the most pertinent and practical one, but there is an increasingly shared perception that investigating the social enterprise concept involves much more than the search for common attributes (Jones and Keogh 2006). The difficulty in coining a universal definition of social enterprise is highlighted by Grassl (2012: 38), who states that “the case becomes even more complex if China or developing countries are added to the mix”.

The functionalist and social constructionist approaches are not conflicting. Rather, in the quest for a universal method to broaden the concept of social enterprise so as to adapt it to increasingly diverse contexts, social constructionism could be adopted as a complementary approach for two reasons.

First, the method’s rationale is grounded in its flexibility and multifaceted nature. The social constructionist perspective is highlighted in literature as being associated with several theoretical lines, each allowing for different methodological variations. Chell (2008) proposes to study the entrepreneur’s personality through Giddens’ structuration theory (Giddens 1984), which resolves the seemingly conflicting dimensions of individual agency and structural constraints. Lindgren and Packendorff (2009) propose to look at gender theory and critical management theory in order to grasp the main mechanisms and biases of entrepreneurship. Grant and Dart (2014) certainly offer the most relevant work for the unfolding of this paper; these authors depict social enterprise as an organisation externally or internally motivated to include specific desirable social constructs as part of their identity (or to avoid undesirable ones).

Secondly, the method allows to examine the reality prevailing in a certain context (Chell 2008), and thereafter test the relevance of the concept’s “Westernized” attributes when they are imported in that given context. There is a consensus, in Western literature, about the fact that entrepreneurship thrives when connoted with values such as “individualism, rationality, risk-taking, wealth generation, self-interest, autonomy, achievement and self-reliance and long-
term orientation” (Kayed and Hassan 2011: 16), but entrepreneurship based on these values tends to increasingly lose its relevance, the farther from the Western world they are applied (Thomas and Mueller 2000; Lindgren and Packendorff 2009). Criteria defining and sometimes enabling the setting up a social enterprise are constructs that have been built by and within Western belief systems. According to Clegg et al. (2007), “these belief systems are shared assumptions that are socially constructed: they do not exist objectively in reality but are culturally, socially and cognitively developed assumptions about reality”. These Western-generated assumptions are imported in other contexts to serve a socio-political agenda which differs depending on geographical and ideological considerations (Grant 2013). Under these circumstances, the social constructionism lens offers a platform with a dual investigation possibility: First, it explores the limitations of Western-based social enterprise methodology when applied in other contexts. Secondly, it allows for an examination of constructs forming the societal reality within which the social enterprise concept is situated, thus ultimately revealing innovative social enterprise models that would not have been identified under a traditional functionalist approach.

In this paper, the social constructionist perspective is primarily used as a method to examine constructs in the UAE’s context that are potentially impacting upon the social enterprise concept and laying the ground for a typology of existing social enterprise models in this highly specific context.

2.4. Constructs impacting upon the imported social enterprise concept

The constructs presented in this section serve as an empirical basis to explain the challenges that must be overcome for the social enterprise concept to be acknowledged in its traditional form (set by Western frameworks) in the UAE. But prior to presenting an overview of these constructs, a short general presentation of the country is provided.

The UAE is a young nation; established in 1971 by Sheikh Zayed bin Sultan Al Nahyan, it is composed of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah, and Ras Al Khaimah, as shown in Figure 1 below. The UAE is a member of the Gulf Cooperation Council (GCC), which also includes all the other Arab states of the Persian Gulf, except for Iraq (i.e. Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia).

The UAE is rich in natural resources (IKED 2010), and is ranking seventh at the global level in terms of proven reserves of both crude oil and natural gas (Elite Media 2013). Like the other GCC nations, the UAE economy is operated as a free market, but with most public utilities and important trades being state-owned. The UAE is resolutely diversifying its economy so as to reduce its high dependence on oil, shifting from low-skilled, work-intensive activities to highly skilled ones (Soto and Haouas 2012). For example, through reinvesting oil revenue into infrastructures such as “a world-class sea port, airport, and communications network as well as commercial, industrial, and residential real estate developments” (COAD 2013: 38), the oil-rich emirate of Abu Dhabi has managed a successful inversion of the proportion of oil/non-oil revenue in the GDP during the last two decades.
2.4.1. Identified socio-economic development imperatives linked to a social contract in transformation

All GCC nations unanimously agree that job creation is a top priority to convert the growing number of young jobseekers from a “national security hazard” (Forstenlechner et al. 2012) into “a tremendous opportunity, both as a market and as a labor force” (WEF and OECD 2011). In a region where “entrepreneurial activities and performance rates are well below those of comparably developed regions” (OECD 2012), there is a stated need to promote entrepreneurship as a key solution to counter unemployment (Fisher 2013), to divert the workforce from bloated public sectors (Tanmia 2013a) and to contribute to diversifying the national economies, highly dependent on oil exportation (The World Bank 2007).

This pressure to create jobs for the national workforce through entrepreneurship is also felt by the UAE government. In this country where the national population represents less than 20 per cent of the total population (CIA 2015) and where national unemployment was estimated at 14 per cent in 2009 (Tanmia 2011), unemployment is still expected to grow, with more than half of the Emirati population being under 24 (SCAD 2013b). The UAE needs to empower its young and growing national human capital and to make it a highly skilled and independent workforce, ready for an economy based on knowledge and entrepreneurial attitude. This imperative is identified in the UAE’s national vision 2021, about “confident and socially responsible Emiratis” (UAE Cabinet 2010b), and in Abu Dhabi Economic Vision 2030, which identifies the development of social and human resources as one of the four key priority areas (The Government of Abu Dhabi 2009).

Following the discovery of oil in the 1960s, a visionary socio-economic development spurred by the UAE leadership irreversibly changed traditional Emirati households and local communities’ dynamics, bringing new opportunities to their doors, but also raising challenges regarding the way in which the changes brought about by development in terms of local heritage and traditional social values and relations should be tackled. Although now governed
as a federal system, the emirates are built on traditional tribal roots; tribal allegiance and political loyalties still predominate in the traditional societal fabric (Heard-Bey 2004). A ruling family is at the head of each emirate, and the seven rulers form the Supreme Council of Rulers, which is the highest legislative authority in the UAE. In practice, since 1971, the posts of president and prime minister have been held respectively by the ruling Al Nahyan (Abu Dhabi) and Al Maktoum (Dubai) families.

The traditional social contract, based on a system where the ruler is available for his subjects during majlis sessions in order to care for them in return for their loyalty and allegiance, has been increasingly difficult to maintain, due to demographic pressures (Trident Press Ltd 2006). Still, this traditional form of public sector has been informally maintained and has evolved alongside an increasingly modernised and highly performing government (WEF 2014), which redistributes its oil wealth through the delivery of one of the world’s most generous social packages and services (Forstenlechner and Rutledge 2010). There are still strong expectations from the Emirati citizenry for their government to care for them in a traditional patron-client relationship (Mansour 2008). These expectations have evolved to include free education and health care, subsidized utilities, free land, no-interest loans for building homes, and subsidized wedding costs (Brown 2007). This social contract’s endurance is also evidenced in the nations’ employment preferences. According to Forstenlechner and Rutledge (2010: 41), “a job in the public sector is the key component of this social contract”. The large majority of Emiratis is employed by local and federal government entities or the armed forces; only seven per cent work in the private sector (Tanmia 2011). A natural transfer of the Emirati workforce to the private sector is expected and strongly encouraged by the government to meet the needs of the increasingly knowledge-based labour market (Tanmia 2013a). However, this is not occurring. Two main causes have been identified: First, private sector opportunities are shunned by the local workforce. Among the reasons invoked are differences in terms of number of working days per year (workers in the private sector work 57 days more per year), wages (salaries are up to 65 per cent higher in the public sector), and length of work days (which are longer in the private sector) (Tanmia 2011: 6; Issa 2013). Secondly, there seems to be a gap between the education and training of the young workforce and the requirements of the private sector regarding knowledge-based specializations (Al Attiyad 2007: 14; Al Ameri 2014a), and the development of soft skills and capacity building (Al Ameri 2014b).

In their study of the GCC labour markets, Forstenlechner and Rutledge (2010) advise governments to revisit and update their social contract. The deep restructuring of the economy that they advocate highlights the high relevance of the concept of social enterprise, which is considered at policy level as a twofold remedy, able to both empower the national population and contribute to create innovative employment solutions (Abdou et al. 2010).

Alongside such top-down effort, a mentality shift in the national population with regard to expectations vis-à-vis the government is crucial for the necessary overhaul of the social contract. In other words, reliance on the government on the part of citizens who expect to be offered well-remunerated public sector jobs, to utilize expatriate labour without any form of taxation, and to enjoy a range of generous social benefits and subsidies should give ground to the right to be offered a more market-adapted education (Forstenlechner and Rutledge 2010), to have opportunities to develop one’s own business (COAD 2013: 24), and to be active
agents of change in one’s community (UAE Cabinet 2010b). However, current available data about the progression of such a grassroots shift in mind-set is very limited and tends to indicate that the concept of social enterprise has not yet been endorsed by the local population (El-Sokari et al. 2013).

2.4.2. Islam: a fundament of the local society

Islam was superposed in the UAE onto the tribal fabric of the society; inter-tribe differences were overcome by ways of a common, unifying religion (Heard-Bey 2004). In the GCC, Islam is ubiquitous in every aspect of Muslim individuals’ life and Muslim countries’ public policies. The overarching role of Islam is adequately explained by Al-Suwaidi (2015: 103), who states that “Islam as a comprehensive system of beliefs, concepts and human behaviour provides alternative political, ideological, and economic frameworks”. The ubiquity of Islam in the “cultural, moral, social, economic, legal and political spheres” (Heard-Bey 2004: 135) is undisputable within the Muslim environment, but tends to be overlooked by attempts to apply Western development frameworks in the Middle East (Al-Suwaidi 2015). In their thesis about Islamic entrepreneurship in Saudi Arabia, Kayed and Hassan (2011) pinpoint the lack of validity of established Western frameworks to evaluate entrepreneurship in the Saudi context. Focusing on the dimension of culture and the realisation that Western developed countries exhort developing countries to alter their culture in the name of modernity, Kayed and Hassan (2011: 17) raise an important question: “Is there an alternative for countries that do not see in cultural transformation an option?”.

In order to articulate the concept of social enterprise in a way that is appealing to the UAE domestic socio-economic environment at both the micro and macro levels, a connection of the concept to cultural and religious values—in addition to a connection to national visions—is necessary. Islam and social enterprise are not contradictory. Indeed, Islam encourages a business approach that follows an ethical line and has a social impact. In fact, Kayed and Hassan (2011: 48) insist that

> the Islamic dimension imposes certain stipulations on the “opportunity”, the “process” and the end goal of the entrepreneurial process; opportunity has to have a moral and ethical basis … Moreover, the ultimate goal of the entrepreneurial activity, as is the case for all human activities, must be intended to pleasing The Almighty Allah.

Therefore, social enterprises might present themselves as a contribution to the long-needed answer to development imperatives, provided their agenda is understood and communicated in respect of Islamic values.

2.4.3. Philanthropy in the Arab world

Charity is one of the five pillars of Islam, and an important societal institution, namely the charity tax (zakah or zakat), compels every Muslim to give 2.5 per cent of his or her wealth to the needy (Islamicity.com 2014). A survey conducted in 2015, which studied the giving behaviour of more than 1,000 Arabs living in the GCC, revealed that the act of giving was
overly spontaneous and occurred mainly during religious occasions (Touchline 2015). Donors’ generosity was also highlighted, with donations1 of 207 USD per donor, usually donated to the same charities across time (Touchline 2015). The act of charity is also strongly embedded in culture at the macro level. For instance, the UAE has given 0.7 billion USD to the world’s refugees in the past five years; Pakistanis, Syrians and Yemenis are the main beneficiaries of this financial support (Kannan 2014). Traditionally, the zakat proceedings are channelled to the poor or needy through acknowledged charities or humanitarian agencies. Social enterprises combining a commercial structure and sustainable impact investment tools with a social mission meet resistance, as the process of merging deeply ingrained charity with business practices raises incredulity at best, and suspicion at worst (Informant 5, Question 5, 2013; Informant 11, Question 5, 2013; Informant 11, Question 9, 2013; Informant 17, 2013). On the other hand, the traditional philanthropic sector is advised to improve its governance by looking at good practice examples to be found in the private sector (Jafar 2015).

2.4.4. The apparent near-absence of civil society

The apparent near-absence of civil society and NGOs in the UAE may be accounted for by the profoundly Western-oriented connotative elements associated with both terms—such as the idea of independent grassroots movements, sometimes antagonizing with public authorities, and secular values. Trying to delineate a civil society sector in the UAE with these values in mind will lead to overlooking possible alternative and corresponding dynamics. Krause (2008) warns against a “culturally-biased” way of defining civil society. If civil society has to be investigated in a context far from the Western one, the set of connotations attached to the construct should be changed (Krause 2008). She suggests taking a look at the on-going process of neoliberalist governmentality used by the UAE government to devolve its operations to semi-private or private institutions. Such process also goes along with a gradual capacity-building of the citizens “who are thereby increasingly empowered to discipline themselves” (Krause 2008). In addition, the search for civil society in the UAE context needs to consider the specific mosaic of communities from various nationalities present in the UAE, and appreciate the interactive process occurring between citizens and residents, and resulting in power negotiation, “interactions, networking and other structures of participation” (Krause 2008).

2.4.5. A shift in the meaning and use of corporate social responsibility

The UAE’s private sector has a long history of corporate philanthropy based on religious and cultural traditions (Strategy& 2013). But the agenda of corporate social responsibility (CSR) activities in Middle East companies is currently shifting, steering away from traditional charity initiatives to long-term traceable social projects. CSR is gaining increasing attention as a potential vector for companies to become actors in sustainable development and, by the same token, showcase improved governance and code of conduct. As demonstrated by a handful of game changer companies in the UAE, such as the Chalhoub Group or the Desert Group, CSR activities now involve different components, such as internal and external capacity building, improved governance practices, and leveraging competences that exist within the company in

---

1 Between May 2014 and May 2015.
order to contribute to a social and environmental impact. According to the UN Global Compact (a strategic policy initiative that supports companies to align their operations and strategies with 10 principles in the areas of human rights, labor, the environment, and anticorruption), the number of signatories in the UAE rose from none in 2003 to 74 in November 2015, and to 99 in late 2016 (UN Global Compact, n.d.).

2.4.6. The absence of an appropriate translation of “social enterprise” in Arabic

Another element that influences the construction of the social enterprise concept is the Arabic language. Indeed, the language used in a context does not only describe the reality; it also contributes to shaping this reality. According to Chell (2008: 190),

social settings, social groups and situations enable meaning to be gleaned from the language and words that are being used… They enable us to describe, explain and contest the “here and now”, as well as the future; as such, we are able to reflect on and consider competing constructions. In this sense, language as discourse creates structure, rhetoric and process.

The Arabic term for social enterprise is not endorsed by promoters of the concept, who prefer to use the English term. According to informant 8 (Question 12, 2013),

If you translate social in Arabic, it is equal to charity. It is a bit of a challenge, because you need to translate the term in your own culture and language to fully understand it and embrace it; you might disagree at the end, but at least you see what it is. Social enterprise makes a lot of sense in Italian, in French, in English… If there is no translation in Arabic, we need to find a way to get some way there.

2.4.7. Social and environmental challenges

The following challenges are providing a fertile ground for social enterprises to develop, addressing a context-specific social or environmental need.

A first challenge is linked to national socio-economic development imperatives: it is the need to provide an education system adapted to the demands of a knowledge-based economy (Al Attiyad, 2007; Al Ameri 2014a) and to cater for students with special needs or disabilities (Embassy of the United Arab Emirates, 2015).

The integration of women and vulnerable groups into the work market, as well as socio-economic development in opportunity-deprived and remote geographical areas, are also high on the national agenda (COAD 2013; Zawya 2014).

There is also a stated will, on the part of public authorities, to focus on primary health care issues, as the UAE population displays one of the world’s highest prevalence of lifestyle diseases such as type 2 diabetes, hypertension, and obesity, as well as a high prevalence of genetic diseases.
Due to its growing population, the UAE is struggling with several interlinked environmental challenges. According to Vojislav Bajic, Development Officer of Ashoka Arab World, clean water depletion is the key issue to be addressed in the environmental sector (Zawya 2014). With the highest per capita consumption of water in the world, the Gulf Region could face a water crisis in the future if timely measures are not implemented. In Dubai, 93.6% of the water originates from water desalinization plants (Government of Dubai 2015), but the process is highly energy intensive and thus closely linked to energy supply, which comes second among environmental issues, with a current level barely sufficient for the actual requirements, with disparities across emirates. Abu Dhabi’s nuclear power program should alleviate this challenge by 2017-2020 (Rutledge 2012). A third issue in the environmental field is waste management: indeed, the UAE is among the world’s largest waste generators.

3. THE CONCEPT OF SOCIAL ENTERPRISE IN THE UAE:
INSTITUTIONAL TRAJECTORIES

Before categorizing social enterprise models, it is crucial to understand the institutional forces shaping the evolution of the social enterprise concept in the UAE context.

The primary reasons why this newly introduced concept has been given so much public attention in the last few years are related to its perceived value as a solution to the identified national socio-economic development imperatives. This value entails, among other beneficial outcomes, a powerful capacity-building momentum that takes place within several societal layers: at the individual level, targeting social entrepreneurs; at the community level, targeting beneficiaries; at society level, targeting welfare and cohesion; and for the private sector, encouraging to look at a double bottom line and improved governance. The dual nature of social enterprises, which combine economic and social value creation, is also highly appreciated, as it is in line with standards of sustainable social development through increased economic opportunities and employment generation. Paradoxically, it is also the concept’s dual nature that arouses resistance to its adoption, as it does not fit within any of the traditional logics of action prevalent in the UAE. Social enterprise is often mistaken for a form of charity that would drift from its primary aim, which is the social good, and would thus not appear trustworthy; alternatively, social enterprises are seen as businesses whose focus shifts from profit to social impact, and thus cannot reach the expected lucrativeness. The preference for the English term when referring to social enterprise does not facilitate the comprehension of the concept’s dual nature in Arabic and Islamic contexts.

Despite this resistance, which has consequences for social enterprises in terms of type of management, capital investment opportunities and regulatory options (see section 0), the concept is in constant interaction with the main constructs present in the region, and it is being shaped in the existing institutional landscape.
In this section, the different institutions promoting the concept are therefore discussed; we then provide a brief description of the legal and regulatory environment within which social enterprises operate, and which thus shape their models (in particular in the emirates of Dubai and Abu Dhabi). This outlook on social enterprises’ institutional trajectory provides the background against which the preliminary typology put forward in the following section is based.

3.1. Social enterprise as an imported concept promoted by public authorities and by the resident community

In the UAE, the term social enterprise has gradually gained ground in the English language media since 2009, highlighting the added benefit of social value in economic development and business investment (Jafar 2013a; Gutcher 2013). This gradual dissemination of the concept correlated chronologically with a broader awareness and mediatisation of National Visions, such as the Abu Dhabi Economic Vision 2030 (The Government of Abu Dhabi 2009) and the UAE Vision 2021 (UAE Cabinet 2010b), which integrate social development as a chief component of economic development. It also coincided with stated socio-economic development imperatives dealing with social inclusion. For example, the year 2013 was officially earmarked “Year of Emiratisation” by the UAE Cabinet (Zaman 2012).

Both internal (organization-driven) and external (environment-driven) motivations for an organisation to be identified as a social enterprise (Grant and Dart 2014) are highly relevant in the context of the UAE. These motivations can be seen as paradoxical in a society that, until recently, was reluctant to mix traditionally distinct values—business practices on the one side, and charity and philanthropy on the other side. But publicly-owned social outreach programs chose to define themselves as social enterprises, as the concept is identified at public policy level as a tool to build the bridge between the philanthropic sector and the private sector (Emirates Foundation 2015). The imported concept of social enterprise in the UAE is thus being stimulated by public authorities in their quest for a solution meeting socio-economic development imperatives, but this dynamic is unfortunately not reflected in the legal and regulatory options for social enterprises (see section 0).

In order to empower the national workforce with the capacity-building skills necessary for entrepreneurial activities, two national public institutions were set up by the government during the last decade with a specific mandate:

- The Emirates Foundation (EF), whose mission is to “inspire, empower and guide the youth of the UAE to ensure a sustainable future for the nation” (Emirates Foundation 2013), has a portfolio of six capacity-building programs addressing the need for social inclusion,

---

2 A general Google search for “social+entreprise UAE” results in 1,770,000 hits for 2015, 1,080,000 hits for 2014, 658,000 hits for 2013, 700,000 hits for 2012, 318,000 hits for 2011, 369,000 hits for 2010, and 274,000 hits for 2009.

3 “Emiratisation” refers to the national plan for social inclusion. It seeks to include citizens in the country’s workforce in the private sector as only 2% of the workforce in the private sector is Emirati.
community engagement, leadership and empowerment. The Kafa’at program aims to unlock Emirati talent and develop career pathways in the private sector. Under the Kafa’at program, EF is interested in undertaking research that explores the social enterprise environment in the UAE. Each program has worked out a business plan and seeks to evolve into a social enterprise.

- The Khalifa Fund for Enterprise Development (KFED) was launched by the Government of Abu Dhabi in June 2007; it trains the working population and leads it into a diversified economy by enhancing the entrepreneurial mind-set at the national level (KFED 2013a). KFED is the owner of Sougha, a social enterprise registered as a commercial establishment, which aims to preserve the Emirati heritage while creating economic opportunities for Emirati artisans.

In the emirate of Dubai, early efforts were made to promote an ecosystem conducive to the development of social enterprises. Dubai’s Chamber of Commerce initiated the Centre for Responsible Business (CRB)—which promotes the development of social enterprises—in 2004. The top-down determination to bring into play a social entrepreneurship mind-set was also crystallized in 2013 and 2014 by a series of unprecedented events:

- Since 2013, EF has organized an annual Philanthropy Summit (Emirates Foundation 2013). These summits bring out the topic of venture philanthropy, promoting increasing connection between social entrepreneurship and impact investment through venture philanthropy in the UAE context.
- In March 2014, KFED hosted the 10th annual meeting of the International Network for Small and Medium-sized Enterprises (INSME); social enterprise was one of the main themes of the agenda (INSME 2012).
- In 2015, EF launched “The Social Enterprise Youth Mentoring Platform”, which targets the national youth, in order “to encourage their social enterprise aspirations and improve on their potential ideas” (Emirates Foundation 2014).

Bottom-up organisations leading the way in bringing about social enterprise on the socio-economic agenda are very few and expatriate-led. In Dubai, Consult and Coach for a Cause (C3) was created at the end of 2012 with the aim of enabling Middle Eastern emerging social entrepreneurs to become active agents of positive social change through leveraging business professionals’ skills and supporting the sharing of knowledge on a voluntary basis (C3 2014). The vast majority of C3’s volunteers are residents. C3 was the first international organisation to be awarded the UK-based Social Enterprise Mark; it also has plans to monitor and research the social enterprise ecosystem in the UAE. Another example is the expatriate-coordinated Impact Hub in Dubai, which functions as an incubator for both commercial start-ups and nascent social enterprises (Sahoo 2013b).
Several grassroots events raising awareness about and promoting social entrepreneurship took place during the last years:

- The Social Enterprise Week has been organised annually by C3 since 2013.
- The Business4Change Conference, organized in March 2013, brought social enterprise into light in the business world (Pepsico and Al Ahli Holding Group 2013).
- Ashoka Arab World launched the Arab World Social Entrepreneurship Program (ASEP) in April 2014. The program is designed to support social entrepreneurs who choose to develop an innovative business model to solve social needs in three core areas—healthcare, environment and women’s participation for inclusive growth.

Knowledge-sharing or cross-pollination activities between the public sphere (top-down) and the private sector (bottom-up) initiatives to promote social enterprise are currently limited to events or awarding ceremonies, with experts from both sides invited as speakers.

With a highly heterogeneous expatriate community (CIA 2015) making up 80 per cent of the emirates’ total population, the overwhelming majority of social entrepreneurs are expatriates. Each nationality brings along its home-grown meaning of social enterprise; these various conceptions of social enterprise might vary considerably. Many licensed companies seek to profile themselves as targeting specific social and environmental needs present in the UAE and in the region (Impact Hub, n.d.). Expatriate social entrepreneurs are establishing their social enterprise in the UAE, benefitting from the tax-free environment, while having their activities/market/beneficiaries or all of the above in the UAE, in their home country or in a selection of countries. A limited but growing number of Emirati nationals are joining the social entrepreneurs’ community (Nocentini 2015), eager to address a specific social need in their community through their expertise and business acumen. Additional data is needed in order to have a comprehensive overview of this highly dynamic ecosystem’s compartmentalized demographics, and to understand the external and internal motivations of Emirati social entrepreneurs to be identified as such.

### 3.2. Legal and regulatory environment

The UAE federal legal and judiciary system is based on the Islamic Shari’a and on Western legal frameworks (Consulate General of the United States 2005). Non-profit and commercial activities are traditionally segregated, with entirely separated legal and regulatory systems.
Box 1: Regulations for non-profit organizations in the emirates of Dubai and Abu Dhabi

The emirate of Dubai recently opened several registration opportunities for non-profit organizations.

- Non-Profits Incorporated Organizations (NPIOs) are circumscribed within the jurisdiction of the Dubai International Financial Center (DIFC) under a specific incorporation law, which allows founding members to be legally separated from the non-profit body, and thus not personally liable.
- Dubai’s Community Development Authorities (CDA) and the Dubai Association Centre (DAC) have both been established by the Dubai Chamber of Commerce & Industry, and cater for non-profit entities defined as “social clubs or associations”. They have the mandate to issue a dedicated license for these associations.
- The International Humanitarian City (IHC) is a free zone specialized in humanitarian and relief aid, which has been acting under its own law since 2012. The two legal forms proposed to NPOs and commercial and intergovernmental establishments by IHC are either a branch of a foreign entity or a Free Zone Limited Liability Company (FZ LLC). The incentive for an NPO to register as an FZ LLC in this free zone, apart from belonging to a humanitarian cluster, is not clearly communicated. In 2015, nine UN agencies were centralized under the International Humanitarian City, along with 27 NGOs.

In the emirate of Abu Dhabi, NPOs must apply for registration under the Ministry of Social Affairs and propose a board of 20 Emirati citizens. Only a small percentage of applicants are successfully registered.

The legal and regulatory environment for NPOs in the other five emirates has not been researched yet, as it is not available online.

Source: DIFC (2012).
Regarding regulations for commercial activities, the federation operates with a trade and business regulation without income and corporate tax. Every emirate is following the overall federal laws regulating commercial businesses and economic activity. According to Article 23 of Federal Law No. 18 of 1993 concerning commercial dealings, “[it] shall not be permissible for non-UAE nationals to run businesses unless upon joining a partner or partners holding the UAE nationality in accordance with the terms and within the limits specified in the Commercial Company Law”.

There are four main types of license: commercial, agricultural, professional and occupational. In addition, Article 5 of Federal Law No. 8 of 1984 (Commercial Companies Law) specifies the different legal forms that companies establishing themselves in the country are allowed to take: general partnership company, simple limited partnership company, partnership limited with shares company, joint participation company, private joint stock company, limited liability company and public joint stock company. Each form has specific requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. There are slight inter- emirates variations in the implementation of licensing regulations. For example, in the Emirate of Dubai, Dubai SME offers a licensing fee reduction to nationals establishing their company.

In the emirate of Abu Dhabi, these legal forms have been simplified and are presented in four categories, as illustrated below:

<table>
<thead>
<tr>
<th>Legal Form</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>An establishment is a facility owned by a single person (sole proprietorship), licensed for practicing an economic activity (commercial, professional, agricultural or occupational). The financial liability of the establishment lies with the owner, who bears all the financial obligations of the establishment. If the owner of the establishment is not a UAE citizen, there must be a UAE citizen who acts as a service agent for the establishment.</td>
</tr>
<tr>
<td>Company</td>
<td>A company is a facility existing by virtue of a contract concluded between two or more persons who undertake to take part in a for-profit economic project by contributing an amount of money or work. The profits and losses resulting from the project shall be distributed among the partners.</td>
</tr>
<tr>
<td>Branch</td>
<td>A branch is a subsidiary of a local (Abu Dhabi-based) or foreign parent entity (company or establishment), or of a parent entity from another emirate; it practices the same activity/activities as its parent entity. Foreign companies and companies from other emirates that carry out their main activity in the Emirate of Abu Dhabi must still apply for a license from the Department of Economic Development if they want to set up new offices or branches in this Emirate.</td>
</tr>
<tr>
<td>Cooperative society</td>
<td>A cooperative society is an independent group of persons cooperating willingly together in order to satisfy their economic needs through a collective ownership of the project, in accordance with Law No. 6 of 1974 concerning the cooperative societies and its amendments by Law No. 20 of 1981.</td>
</tr>
</tbody>
</table>

Box 3: Regulations for free zones in the UAE

The UAE’s economic landscape is further characterized by the development of free zones in each emirate. There are currently 37 free zones in the UAE, which are intended to spur the economic diversification of the federation. It is worth noting that free zones are established by a Decree of the emirate within which they are located and regulated by the laws of this emirate, with the exception of the financial free zones, which operate under a separate legal jurisdiction, according to Federal Law No. 8 of 2004, also dubbed the Financial Free Zones Law. The abovementioned Dubai International Financial Center (DIFC) is a Financial Free Zone. Free zones go further than the tax-free environment enforced on the whole territory by offering: the possibility for companies to register without an Emirati partner (100% foreign ownership); 100% repatriation of capital and profits; 100% free transfer of funds; 100% exemption of import and export duties; and the provision of a residence visa and simplified procedures for the opening of a bank account. With inter-emirates variations and exceptions, free zones have some limitations, as their registered companies are not allowed to trade directly with the UAE market and can only approach the local business through locally appointed distributors. Licenses are usually issued by the emirate’s Department of Economic Development, but a limited number of free zones, such as Masdar, are habilitated to issue licenses. The almost unanimously preferred form of license, in particular for expatriate individuals, is the limited liability company (LLC). Licensing fees are twice as expensive in the emirates of Abu Dhabi or Dubai than in the other five emirates.


In the absence of a dedicated legal and regulatory status, organisations identifying themselves as social enterprises are compelled to register either as non-profit or as for-profit entities (Informant 14, 2013; Informant 11, Question 5, 2013; Locke 2015; Touchline 2015). This situation is illustrated in Figure 2 below, with a representation of Alter’s hybrid spectrum in which the “dichotomised” registration options for social enterprises in the UAE have been added.
The vast majority of social enterprises are choosing the registration options offered to traditional for-profit organizations, as the relatively high costs for starting up a business are mitigated by very reasonable running costs, in a tax-free environment. The consequences of the existing legal and regulatory environment on the shaping of social enterprise models are discussed below.

4. TYPOLOGY OF SOCIAL ENTERPRISE MODELS IN THE UAE

Establishing a first typology in a country devoid of research in the field, with an embryonic but promising social enterprise ecosystem, involves a few specific challenges. As previously discussed, there is a risk to miss out the diversity of the concept’s meaning if the investigation is solely based on a functionalist approach. By the same token, the exercise of identifying and classifying social enterprises models using standardized criteria or indicators might overlook new and innovative trends unfolding in the UAE context. Keeping in mind these challenges, and given the current lack of classification, an exploratory and intuitive approach was adopted to identify and characterize existing models, and build a typology thereof.
Box 4: Methodological approach

The methodology applied in this working paper can be described as a set of two logical steps:

**Step one: establishing a preliminary typology**

The social constructionist perspective explained in section 0 was followed as an underlying method, complementary to a functionalist approach, offering links between the explanation of the concept in context and the exercise of categorizing social enterprise models. The country-specific interlinked constructs identified and explored in section 0 strongly influenced the choice of overall criteria to categorize social enterprise models in this particular environment.

The researcher went to various conferences and summits including social enterprise as a topic, and participated in discussions with prominent experts of social enterprise in the region between 2013 and 2015. This approach was particularly useful to get an understanding of the institutional forces promoting the concept of social enterprise in the UAE. The analysis drew on in-depth, open-ended interviews of 13 social enterprise experts in 2014, conducted by the researcher, with questions inspired by elements from Alter’s (2006) social enterprise typology and by the ICSEM questionnaire, which is based on the EMES approach’s three sets of indicators. The trends were also monitored through document analysis, including a daily scan of English-language newspapers for social enterprise-related articles, the review of different government bodies’ documentation and laws regulating commercial and philanthropic activities, both on-shore and in free zones. This analysis also provided the necessary knowledge about the legal and regulatory environment within which social enterprises are shaped. A preliminary typology was then elaborated, differentiating social enterprises according to their ownership structure and thus distinguishing between publicly-owned and privately-owned SEs.

**Step two: strengthening and refining the preliminary typology with findings from the ICSEM survey**

Data was collected through interviews conducted using the ICSEM questionnaire. A panel of 19 organizations identifying themselves as social enterprises was selected, either from the media, or with the help of C3, the Dubai Chamber of Commerce, and The Emirates Foundation, and according to the pre-selected types of models. Following the social constructionist perspective, the organizations’ motivations to be identified as social enterprises were deemed more relevant than their functional attributes in the selection process. Twelve organizations answered the questionnaire during the third quarter of 2015. While the raw collected data from these 12 organizations was sent to the coordination team of the ICSEM Project to be included in the comparative study, it was also analyzed in a table using elements from Alter’s (2006) typology and the EMES International Research Network’s three sets of indicators. At this stage, it became clear that a sub-categorization would be necessary within the privately-owned model, in order to render the diversity of emerging social enterprises under this model. An effort was made to orientate the selection process according to ICSEM’s guideline to select 3-4 social enterprises per model. This analytic exercise made it possible to refine the preliminary typology, and also provided practical examples of institutional trajectories. The following table displays how the 12 interviewed social enterprises were categorized:

<table>
<thead>
<tr>
<th>Models</th>
<th>Sub-models</th>
<th>SE number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiated and owned by the government</td>
<td>NPO licensed as a business (establishment)</td>
<td>AE10JS</td>
</tr>
<tr>
<td></td>
<td>NPO not licensed</td>
<td>AE03JS</td>
</tr>
<tr>
<td></td>
<td>NPO registered as a trademark</td>
<td>AE12JS</td>
</tr>
<tr>
<td>Privately owned or owned by the private sector, licensed as a business</td>
<td>Part of an organization, but independently functioning in the UAE as an NPO</td>
<td>AE08JS</td>
</tr>
<tr>
<td></td>
<td>Part of an organization, but independently functioning in the UAE as an NPO</td>
<td>AE11JS</td>
</tr>
<tr>
<td></td>
<td>Part of an organization’s CSR practices, in the process of spinning off as an NPO</td>
<td>AE17JS</td>
</tr>
<tr>
<td></td>
<td>Part of an organization’s CSR practices, in the process of spinning off as an PPO</td>
<td>AE02JS</td>
</tr>
<tr>
<td></td>
<td>Self-contained, FPO</td>
<td>AE04JS</td>
</tr>
<tr>
<td></td>
<td>Self-contained, NPO</td>
<td>AE05JS</td>
</tr>
<tr>
<td></td>
<td>Self-contained, NPO</td>
<td>AE06JS</td>
</tr>
<tr>
<td></td>
<td>Self-contained, NPO</td>
<td>AE07JS</td>
</tr>
</tbody>
</table>
4.1. Publicly-owned social enterprises

Out of the 12 interviewed social enterprises, 3 are found under this model. They are either organized as separate entities, legally registered as commercial establishments, with the state as their sole owner and shareholder, or they are internally structured within the parent organization (a high-level government entity), without an individual legal status of their own. When internally structured, there is still a will on the part of the social enterprises to spin off from the parent organisation, but the available legal registration options do not fit the scope of their activities, thus delaying their official “start-up”. For example, one social enterprise chose to stay internally organised within the social program and to register its product as a trademark, while acknowledging that this solution was a rather short-term one and would hamper its business development at a later stage, when scaling up. A continuous production of both goods and services is to be found in enterprises belonging to this model, which are concentrated around sectors focusing on social welfare and capacity building. Alter’s market intermediary model\(^4\) and employment model\(^5\) are the most common organisational models, with a potential to develop into combined or complex models.

Public ownership offers great advantages in terms of business opportunities, access to resources and markets, types of partnership and advocacy. For example, the social enterprise workforce is often seconded by the parent organisation. In terms of economic risks, this type of ownership secures the necessary seed funding and covers the overhead costs to achieve social impact, but too often in an ad hoc fashion, rendering the budgeting task arduous for the social enterprise. It therefore tends to deter the social enterprise from establishing a financial strategy demonstrating a will to achieve financial self-sustainability, through diversified income, for example. Moreover, the pressure from the owner on social enterprises to track and measure their impact in terms of economic and social value creation is weak. The public sector constitutes the preferred market and the main backer—through both financial and in-kind support—of social enterprises operating under this model.

In terms of their social mission, social enterprises belonging to this model are typically initiated by public social programs focusing on socio-economic development imperatives and targeting specific segments of the Emirati population (such as employment development for vulnerable people, or capacity-building programs for Emirati youth), and they thus tend to emphasize their social mandate. This model of social enterprise is non-profit, embedded or integrated within the social program, and first and foremost mission-driven.\(^6\)

In terms of governance, publicly-owned social enterprises operate with a Board composed of high-level management representatives that holds the ultimate decision-making power. These social enterprises are thus managed in a top-down fashion and only have limited autonomy.

\(^4\) The social enterprise helps beneficiaries to add value to their product and to gain access to markets.
\(^5\) The social enterprise provides vulnerable and difficult-to-employ beneficiaries with employment opportunities and training.
\(^6\) The social enterprise’s commercial activity is directly reinforcing the social mission of the social program.
Participation from external stakeholders and beneficiaries is almost non-existent, and such external parties practically never have a voting power.

4.2. Privately-owned social enterprises

Social enterprises operating under this model are owned by one or several individuals, by a private sector company, or by an international NPO. They are organised independently or as a subdivision of a national or international organisation. Out of the nine interviewed social enterprises belonging to this model, three were owned by an Emirati citizen, and two other had Emiratis on their Board. They offer their services or goods to Emiratis and resident communities alike, or target population segments outside the UAE. They can be active in virtually any sector, and across all types of operational models, with a notable preference for the fee-for-service configuration. This privately-owned profile is characterized by a commercial mind-set, present within the organization from its conception, with the implementation of a business model expected to be revised and adapted along the way. Mission drift was not mentioned as a threat by any of the interviewed privately-owned social enterprises; this is probably due to the fact that these organizations benefit from an exemption from all tax liabilities, which allows them to cover their operating costs whilst still being able to focus on their social mission. Another factor could be that the overwhelming majority of these organisations are still in their start-up phase (2 to 4 years of existence).

Sub-models can be distinguished, within this model, on the basis of the initiatives’ ownership and organizational structures.

4.2.1. Self-contained social enterprises

This sub-group constitutes the most widespread social enterprise profile in the highly dynamic UAE ecosystem. Out of the nine interviewed privately-owned social enterprises, five were identified as self-contained SEs. By self-contained, it is meant that the social enterprise and the social program are one and the same. The mixed—commercial and social—motives are strongly present in each case, although with variations: some social enterprises present a clear market-driven strategy with a preponderant goal of economic value creation, while some are primarily driven by a goal of social value creation. While a limit on profit distribution was not clearly stated in most cases, there was a commitment to earmark a share of the profit for social value development purposes. The activities are circumscribed in program areas usually in relation to the social entrepreneur’s educational and professional background (the social entrepreneur will tend to use his or her expertise in solving the identified social needs) and origin (the social entrepreneur will tend to target the social needs of a community he or she is close to). Recurring sectors are economic development, environmental conservation, children and youth, and education. As for the form taken by these initiatives, the entrepreneur support model,7 the service subsidization model,8 and the fee-for-service model of Alter’s typology are the most common operational choices and can be found in combinations.

---

7 The social enterprise sells business support and other services to entrepreneurs, thus enabling them to develop their business.

8 The social enterprise sells business support and other services to entrepreneurs, thus enabling them to develop their business.
Self-contained social enterprises are typically registered as LLCs, with one or several founders occupying managerial positions and being the main shareholder(s). The economic risk is shared by a very limited number of shareholder(s), who choose to run their social enterprise as a light structure; the leadership style plays a prominent role in the social enterprise’s identity and success. Angel funding is very limited and, with few exceptions, comes from the private sector or civil society. The financial strategy is usually based on a commercial production generating revenues, which tend to grow during a few years and then stagnate. These self-contained social enterprises are thus facing challenges in terms of scaling up. The reasons identified by their owners are multiple and interlinked. First, scaling up without changing the social enterprise’s legal form would result in a loss of control of the owners in terms of decision-making power, and thus in a loss of control over the enterprise’s “dual” activities. Secondly, there is a general lack of access to capital in the region, which is exacerbated for social enterprises due to the above-mentioned fragmentation between business and philanthropy. Social entrepreneurs report a difficulty to attract investors genuinely interested in the double bottom line of the social enterprises. Thirdly, although financial accountability is usually monitored and explicitly stated in their strategy, monitoring and measurement of the social impact are highly variable across the panel, endangering the credibility of the company as a social enterprise in the eyes of potential investors and stakeholders.

Self-contained social enterprises generally present a highly autonomous governance, but the final decision-making and voting power was found to be restricted to the founder(s) and owner(s).

4.2.2. Social enterprises incubated by a company’s CSR department

A new profile of social enterprise is emerging within the private sector. This trend—expressed in the latest Emirates Foundation Youth Philanthropy Summit (which took place in November 2015 in Abu Dhabi) and highlighted by the Dubai Chamber of Commerce—corresponds to the emergence of social enterprises incubated by private companies’ corporate social responsibility (CSR) departments. Progressive companies are re-thinking their CSR concept, shifting from handouts-based projects to sustainable programs, in line with the company’s activities and know-how, and incorporating a capacity-building approach. As a result of this shift, some CSR programs are converting themselves into specific social enterprise incubators. Initiators of such innovative programs can be social entrepreneurs approaching a company for support, or the company’s employees (social intrapreneurs) eyeing an opportunity to address a social need through the expertise of the company, using its CSR department. Out of the nine interviewed privately-owned social enterprises, two were found to belong to this model.

Like other privately-owned models of SE, CSR-incubated social enterprises are built on a solid business-oriented framework, inherited from the incubating company. Both monetary (start-up capital) and non-monetary resources (seconded workforce) can be provided by the incubating company, which, in both case studies in our sample, established a clear financial plan with the

---

8 The social enterprise sells its products or services to an external market and uses the revenues to fund its social activities.
social enterprise. In one case, the economic risk was borne by the parent company for the first two years; in another case, it was borne by the social entrepreneur, who had the position of operation manager in the social enterprise. The incubating company might also turn out to be a first-hand advocate when the social enterprise needs to scale up and seek investors, letting its social enterprise benefit from its network, provided that the incubator knows when to “loosen the grip” on the social enterprise and to allow other shareholders on board.

Another benefit of being CSR-incubated is the guarantee that the social aim of the social enterprise will be prioritized, at least until the social enterprise spins off from the CSR program. The legal registration situation of SEs in this sub-category is the tricky part: none of the two studied social enterprises were legally registered yet, as they were still debating which licensing form would be optimal for the social enterprise to develop. The type of leadership that will take over the social enterprise when it spins off is crucial in this decision.

It is in the incubating company’s own interest to ensure that the social enterprise observes and enforces a high level of governance, as well as good tracking and performance measurement practices in both its bottom lines. This particular point is a potential advantage of this sub-category, whereas it is often a weak attribute in other models.

4.2.3. Social enterprises which are part of an international non-profit organization, but are independently licensed in the UAE

This very specific model is illustrated by two social enterprises only in our sample, but its fast-growing pace makes it interesting to follow up for two reasons: First, the very recent NPIO legal framework, for now geographically limited to Dubai but which is being deliberately put in place to allow this model to flourish, might pave the way for a federal supportive legal framework for non-profit social enterprises. The other reason is the message that is being sent to international non-profit organizations, which can now open a branch and benefit from a pioneering dedicated legal framework in the emirate of Dubai. This model might have a far-ranging influence on the social enterprise ecosystem of the UAE in the coming years, provided that these newly settled branches acknowledge the nation’s fundamental values and socio-economic imperatives.

Both interviewed social enterprises and their respective features reflect the newness and versatility of this very promising model. One is a foundation focusing on capacity building and education of youth and young leaders, licensed as an FZ LLC in the emirate of Fujairah, but registered with the Dubai Chamber of Commerce as a non-profit. It defines itself as a “twin office” of the original office, situated in the Caribbean, and follows a complex operational model, wherein the dual value creation is balanced through sales to private customers. As an LLC, the economic risk is borne by the founder and owner, who identified the legal status as the main element challenging the foundation’s opportunities for scaling up. For instance, the foundation’s revenues tend to stagnate, and in order for the foundation to approach and tap the public market, its legal status should be changed to that of an NPO. The other social enterprise is a local office of an international NPO, but independently licensed as an NPIO in DIFC. A group of local private sector leaders are both founders and board members of this social enterprise, which follows the entrepreneur support operational model in the sectors of
employment and economic development. Unlike the other surveyed social enterprises, this social enterprise benefits from the consistency between its legal status and the scope of its activity and thus has a clear long-term financial strategy and social value creation objective.

In both cases, the core workforce is highly skilled and well paid, and extended support is provided by a large number of volunteers. Both social enterprises do have a predominant and explicit social aim and do not distribute any profit. Interestingly, these two social enterprises have a satisfactory level of tracking and measuring their dual value creation.

4.3. Social enterprise in the welfare triangle

The profound impact of institutional forces and the current legal and regulatory system shaping the social enterprise concept are illustrated in the figure below, which uses the welfare triangle as a framework on which the 12 surveyed social enterprises are superposed. The dotted line representing the boundary between formally registered and informal social enterprises has been moved to the right, in order to better represent the rather linear axis between the public and market spheres, away from the dimension of reciprocity (community), along which these 12 social enterprises are distributed. In other words, this reflects the fact that, in the Emirati context, many social enterprises are informal, even though they do not rely on reciprocity. This void in the reciprocity dimension reveals the very limited grassroots involvement on the part of communities (civil society) in SE’s institutional trajectories.

Figure 3: Mapping of the 12 social enterprises interviewed, according to their type of ownership, economic activities, mission, governance, and legal status

Source: Pestoff (1998), adapted by the author.
4.4. Typology highlights

The young, UAE-based social enterprise is characterized by a more organic and flexible nature than its Western counterpart in terms of mix of motives, organizational structure, and management model. One of the typology’s highlights lies in the innovative ways of upholding their dual value creation that are implemented by social enterprises which are compelled to register under a commercial legal framework or as an NPIO. With the exception of publicly-owned social enterprises, the profiled models present a satisfactory level of sustainability in their financial strategies in their start-up phase. Overall, business activities are creatively embedded in the social mission and present evidence of a continuous production activity; by contrast, the presence of paid work and economic risk are highly model-dependent. The vast majority of surveyed SEs display an explicit social aim and a limited profit distribution, even when not explicitly stated. The configurations of social enterprises in terms of ownership and organisation appear to have an extremely strong influence on the choices they make to sustain their dual value creation, but more importantly, they seem to have a tremendous impact on the dimension of governance across all models. Governance seems to be the weak point of those social enterprises that display a high degree of autonomy, but very limited participatory practices involving external stakeholders. The decision-making power is usually based on capital ownership.

The concept of social enterprise is being defined by two main institutional forces, one acting as a promoter, and the other acting as a barrier. Thanks to its institutional promoters, the concept is gaining traction, spreading across sectors, with program areas addressing context-specific social needs. But the very specific mix of legal and regulatory restrictions, as well as the ownership and organisational structure presented in the different models of the typology, lead to a number of consequences, which we list here:

- In their early start-up phase, social enterprises might choose to operate “under the radar”.
- When registering, regardless of their ownership structure, non-profit and for-profit social enterprises alike tend to follow the “commercial licensing route”, registering under a for-profit form (usually an LLC or an establishment), either on-shore or in a free zone, and managing to uphold their mix of goals in a tax-free environment.
- However, such a registration choice seems to hamper the opportunities for a social enterprise to develop and scale up: social entrepreneurs are faced with prospective investors and stakeholders’ reluctance to invest in social enterprises, due to the fact that these enterprises’ legal identity is not consistent with their dual objectives. Investors are hesitating to lend money to entities with a hybrid agenda that does not correspond to their legal status, while beneficiaries might be suspicious of the commercial side of social enterprises.
- Social enterprises registered under a commercial license should not, legally speaking, use a volunteering workforce, although the official legal documentation is unclear on this point.
- Since these enterprises are registered as commercial organisations, their owners are reluctant to share the decision-making power with external stakeholders and to implement participatory governance principles; indeed, they fear that this might endanger their dual value creation, as this is not protected in a regulatory manner.
• The potential role of social enterprises in addressing national development imperatives cannot be officially identified or promoted, as their impact is not recorded; qualitative and quantitative statistical data about social enterprises is not readily available.

5. CONCLUDING COMMENTS AND FURTHER DIRECTIONS

This working paper aimed to present the emerging concept of social enterprise in the UAE and its shaping through contextual constructs, which were listed and explained. The paper also established a typology of identified emerging social enterprise models and offered a description of their institutional trajectories. These steps were carried out using the social constructionist perspective as a theoretical grounding and an underlying framework. This approach was deemed particularly salient in a peripheral context where the social enterprise concept, as a novel, Western-imported paradigm, was related with constructs embedded within the prevalent belief system for sense-making purposes. In other words, the concept is still being shaped by the constructs of the societal reality within which it is imported, both as a field and as an organizational entity. Furthermore, the social constructionist approach was integrated in the exploratory methodology used to identify the different models, and establish the typology thereof. The social constructionist lens revealed creative social enterprise models that might not have been identified under a traditional, functionalist approach. Rather than focusing on the eligibility of these models to belong to the social enterprise scope according to Western criteria, the typology focused on their ownership and organisation configurations to adjust their activities and dual value creation to the legal and regulatory frameworks currently in place in the UAE.

Before designating the available legal forms and the regulatory system as the main culprit for the less than satisfactory score of the identified models in terms of governance, more research in necessary to investigate whether the legal environment is a real causal factor or whether inherited elements, such as traditional paternalistic leadership styles from the private sector and a lack of participatory governance practices from the philanthropic sector are also negatively influencing the social enterprise ecosystem in this regard.

Models such as social enterprises incubated under a CSR program, or as a non-profit local office of an international organisation, were included in the typology, although they are still found only in an embryonic state. These models could be further explored, along with the cooperative legal form, which was not mentioned in the typology as no social enterprise following this model was identified. Indeed, although cooperatives are firmly established in the legal system and the economic landscape of the UAE (see description in section 0), this already existing legal form based on collective ownership has not yet been explored with an angle of dual value creation in the UAE and could prove useful for social enterprises operating with a corresponding model. The cooperative legal form is related to another dimension that is worth exploring, namely the role to be played by some segments of society in order to expand the social enterprise ecosystem towards types of operational business relying, to a larger extent than current models, on the reciprocity principle (see section 0).
REFERENCES


Informant 11 (2013, March) *Question 5*. Interviewed by Johnsen, S.

Informant 14 (2013, April) *Question 4*. Interviewed by Johnsen, S.

Informant 16 (2013, March) *Question 12*. Interviewed by Johnsen, S.

Informant 5 (2013, March) *Question 5*. Interviewed by Johnsen, S.

Informant 8 (2013, March) *Question 6*. Interviewed by Johnsen, S.

Informant 8 (2013, March) *Question 12*. Interviewed by Johnsen, S.

Informant 9 (2013, March) *Question 9*. Interviewed by Johnsen, S.


International Humanitarian City (n.d.) *IHC License regulations*. Available HTTP: [https://www.ihc.ae/content/files/doc/IHC%20License%20Regulations.pdf](https://www.ihc.ae/content/files/doc/IHC%20License%20Regulations.pdf) (Retrieved February 1, 2016).


Nocentini, M. (2015) A few stats... ([. o. 2015], ed.) Email to: Johnsen, S. (sarahjohnsen123@gmail.com).


UN Global Compact (n.d.) Our Participants. Available HTTP: https://www.unglobalcompact.org/what-is-gc/participants/search?utf8=%E2%9C%93&search%5Bkeywords%5D=&search%5Bcountries%5D%5B%5D=2&search%5Bper_page%5D=10&search%5Bsort_field%5D=&search%5Bsort_direction%5D=asc (Retrieved December 6, 2016).


ICSEM WORKING PAPERS SERIES


Supporting Partners of the ICSEM Project: