

## FOREWORD

Field organizations, corresponding to what we now call “social enterprises,” have existed since well before the mid-1990s when the term began to be increasingly used in both Western Europe and the United States. Indeed, the third sector, be it called the non-profit sector, the voluntary sector or the social economy, has long witnessed entrepreneurial dynamics which resulted in innovative solutions for providing services or goods to persons or communities whose needs were neither met by private companies nor by public providers.<sup>1</sup> However, for reasons which vary from region to region as explained in this book, the concept of social enterprise is now gaining a fast growing interest along with two closely related terms, namely “social entrepreneur” and “social entrepreneurship.”

In a first phase, those three “SE flags” were used more or less along the same lines: although simplifying a little, one could say that social entrepreneurship was seen as the process through which social entrepreneurs created social enterprises. Since the early 2000s however, a fast growing literature has produced various definitions of and approaches to each of these three flags. A detailed analysis of these different approaches is clearly beyond the scope of this foreword, but a few features may be pointed out in order to stress some current trends and help avoid too much confusion.

- The term "social entrepreneur" has been particularly emphasized by American foundations and organizations like Ashoka. Those entities identify and support in various ways individuals launching new activities dedicated to a social mission while behaving as true entrepreneurs in terms of dynamism, personal involvement and innovative practices. Such a social entrepreneur brings about new ways of responding to social problems. Although this meaning of social entrepreneur is gaining some ground in Europe, the emphasis there has been much more often put on the collective nature of the social enterprise, as well as on its associative or cooperative form.

- The notion of "social entrepreneurship" has been conceptualized in rather precise ways in the late 1990s.<sup>2</sup> These conceptualisations stress the social innovation processes undertaken by social entrepreneurs. However, the concept is increasingly being used in a very broad sense as, for various authors, it now refers to a wide spectrum of initiatives, ranging from voluntary activism to corporate social responsibility.<sup>3</sup> Between these two extremes, many categories can be identified: individual initiatives, non-profit organizations launching new activities, public-private partnerships with a social aim, etc. While scholars from business schools and consultants now tend to stress the "blurred boundaries" between institutional and legal forms as well as the "blended value creation" (profits alongside social value) that characterizes social entrepreneurship,<sup>4</sup> social science scholars underline the fact that social entrepreneurship most often takes place within the "third sector" (i.e. the private, not-for-profit sector). In any case, it seems clear today that, of the three notions briefly described here, social entrepreneurship is the most encompassing concept.

- As to the concept of "social enterprise," it took root in both the United States and Europe during the 1970s and 1980s. In the U.S., the non-profit community began to set up and operate its own businesses as a way of creating job opportunities for the disadvantaged, homeless and other at-risk people. When an economic downturn in the late 1970s led to welfare retrenchment and cutbacks in federal funding, non-profits began to expand commercial activities to fill the gap through market sales of goods or services not directly related to their missions.<sup>5</sup> In Europe, new entrepreneurial dynamics clearly emerged within the third sector during the same period though, as in the U.S., actual use of the term “social enterprise” was unusual. On the European scene, an emblematic step took place in Italy in the early 1990s when the concept of social enterprise was promoted by a new journal entitled *Impresa*

---

<sup>1</sup> A major part of the literature on the non-profit sector since the mid 1970s deals with the conditions under which NPOs have emerged and developed in modern economies. In such a context, the issue of entrepreneurship was particularly raised by authors like Young (1983, 1986) among others.

<sup>2</sup> Especially by Dees (1998)

<sup>3</sup> See for instance Nicholls (2006)

<sup>4</sup> Emerson (2006)

<sup>5</sup> Crimmings & Kiel (1983) and Skloot (1987) among many others.

*Sociale*. The concept was introduced at the time in order to designate new types of initiatives for which the Italian Parliament created the legal form "social cooperative," a type of enterprise which has achieved amazing success.<sup>6</sup> Various other European countries have since passed new laws to promote social enterprises.<sup>7</sup> Going well beyond legal issues in its pioneering comparative studies of all EU countries, the EMES European Research Network stresses the positioning of European social enterprises "at the crossroads of market, public policies and civil society," especially to underline the "hybridization" of their resources: social enterprises in Europe indeed combine income from sales or fees from users with public subsidies linked to their social mission and private donations and/or volunteering.<sup>8</sup> This clearly contrasts with a strong U.S. tendency to define social enterprises mainly as non-profit organizations more oriented towards the market and developing "earned income strategies" as a response to increased competition for public subsidies and to the limits of private grants from foundations.

One of the first merits of the present book is that it clearly avoids mixing these three SE concepts and focuses clearly on organizational forms which may be designated as "social enterprises" around the world. Secondly, while fully acknowledging the "earned income" conception as the dominant view in the United States as well as its (varying) influence in other regions of the world, Janelle Kerlin has chosen the most honest research strategy to grasp what a social enterprise may mean around the world, including in regions where such a notion is not well known or even not used. It meant not imposing any specific conceptual framework which would have probably distorted the understanding of the grassroots conditions in which social enterprises emerge and develop. In the same perspective, the editor decided to rely on local researchers so as to use lenses representing the way local contexts view and may forge conceptions of social enterprise.

From an analytical point of view, such a research strategy is certainly neither the most comfortable nor the most elegant for theory building. It is, however, fully coherent with respect to the diversity of field actors and the quite different ways they build what they may call social enterprises. Incidentally, it is not surprising that the final comparative analysis made by the editor clearly refers to the "social origins" theory of the non-profit sector, the most flexible theory framed to reflect the deep embedding of NPOs in their respective historical, cultural, economic, social and political environments.<sup>9</sup>

Although avoiding new conceptual debates on social enterprise, this book actually paves the way for further conceptual and theoretical works. It strikingly does so by reopening the fundamental question of the "social" qualification of such enterprises. While the U.S. dominant view generally refers to a general social purpose or a social mission, most regional overviews proposed by the book's chapters suggest that this social qualification may refer to quite different features.

Of course, the most common view of a social purpose or mission is to relieve social problems such as unemployment, poverty, underdevelopment or handicaps of all kinds, among other factors, which may cause marginalisation or exclusion of certain individuals, groups or large communities. Such social challenges can be addressed through many strategies, ranging from social work or international aid to the setting up of various economic activities by enterprises deserving the label "social" when primarily focused on those problems. Many examples in this book may be viewed through such a lens, including various NGOs' productive activities, microfinance institutions helping small entrepreneurs in Southern Africa and cooperatives for the handicapped in most Eastern European countries.

A second perspective on the "social" qualification of social enterprise focuses on the social sector as a whole, or the spectrum of services from education to health or social care services, which are not

---

<sup>6</sup> Borzaga & Santuari (2001)

<sup>7</sup> Defourny & Nyssens (2008)

<sup>8</sup> Borzaga & Defourny (2001), Nyssens (2006), as well as EMES (2008) for Central and Eastern Europe (EMES is the acronym of the Network's first major research program on the "Emergence of Social Enterprise" carried out from 1996 through 2000)

<sup>9</sup> Salamon, Sokolowski & Anheier (2000)

generally considered as parts of the “true” economic sphere because they are not provided by companies or markets. Creating social enterprises could then mean marketizing such services and/or adapting management techniques from the business world to at least part of the social sector. The U.S. scene probably provides the best illustration of such social enterprises although market income may also be generated through products other than the social services themselves. Of course, some overlap can exist between these two first social qualifications, but their respective emphasis on specific disadvantaged groups and on fields of activity are different.

A third approach refers to the decision making power local groups or communities want to keep in order to better take their destiny into their own hands. Such “empowerment” is often sought through the development of cooperatives, workers’ collectives or other types of producers’ groupings which may then be described as social enterprises as they are in chapters focusing on Southeast Asia and Latin America. Although production remains central in such enterprises, it cannot be disconnected from a political or ideological dimension or broadly speaking, a quest for economic democracy.

On the basis of such a collective control or in order to meet legal requirements, a fourth approach may stress the socialization of the enterprise’s surplus when the surplus is allocated to the benefit of the community or when the distribution of profits to individual members is subject to limitation as it is the case in cooperatives. Still referring to financial means, a fifth related conception underlines the social or societal choice of elected governing bodies to finance the provision of some services in order to make the services available to all citizens. In Western Europe, the importance of such societal support through public subsidies or public contracts, as well as through private giving or volunteering, may lead non-profit providers to be named social enterprises.

In addition to this diversity of social qualifications, let us also note the general public’s strange narrow association of the term “enterprise” with a market orientation. Of course most enterprises sell their production on the market. This does not mean, however, that a full reliance on market income is a necessary condition to be qualified as an enterprise. While not going in depth in such a debate, we just note here that an enterprise is at least about producing and/or providing goods or services as well as doing so by bearing some risks. Such risks are often linked to the uncertainty of the level of costs and incomes from the market, but they may also be related to a more complex mix of resources from the market, the state, international aid and private philanthropy. In such a fundamental perspective, one cannot be sure that an organization should be considered to be more of an enterprise if it gives more importance to market income. While saying so, we realize how provocative such an assertion may be, but the latter is supported by common sense when one considers a business as a commercial enterprise, not just an enterprise.

These remarks on the meaning of social enterprise should not be confusing. As already stressed by the editor in an earlier work, conceptions of social enterprise vary considerably between the United States and Western Europe<sup>10</sup> as well as within those regions. This book simply illustrates how diverse local contexts may be around the world and, therefore, how large the spectrum of social enterprise conceptions may also be. It, therefore, invites the reader to keep in mind the relative value of U.S. or European conceptualizations. Notwithstanding, most organizational forms listed hereafter in the regional overviews (non-profits, NGOs, cooperatives, foundations, religious-based associations, social purpose companies, etc.) actually support the idea that the bulk of social enterprises around the world do belong to the third sector, provided that the third sector is considered to be larger than a non-profit sector strictly defined by the traditional non-distribution constraint. Although the very notion of a third sector itself does not make sense everywhere, this finding means that further international comparative research on social enterprise may certainly be fruitfully developed against the background of strong theoretical and empirical literatures which have already been built on those various types of organizations.

---

<sup>10</sup> Kerlin (2006), further developed by Defourny & Nyssens (2009)

Jacques Defourny  
Centre for Social Economy, HEC-ULg, University of Liège, Belgium  
President of the EMES European Research Network<sup>11</sup>

## References

- Borzaga, C. & Defourny, J. (Eds.) (2001). *The Emergence of Social Enterprise*. New York: Routledge (paperback edition: 2004).
- Borzaga, C. & Santuari, A. (2001). Italy: From Traditional Co-operatives to Innovating Social Enterprises. In C. Borzaga & J. Defourny (Eds.), *The Emergence of Social Enterprise* (pp.1-28). New York: Routledge.
- Crimmings, J.C. & Kiel, M. (1983). *Enterprise in the Nonprofit Sector*. Washington, DC: Partners for Livable Places.
- Dees, J. G. (1998). *The Meaning of Social Entrepreneurship*. Working Paper, Kauffman Center for Entrepreneurial Leadership.
- Defourny, J. & Nyssens, M. (Eds.) (2008). *Social Enterprise in Europe: Recent Trends and Developments*. EMES Working Papers Series, No 08/01.
- (2009). *Conceptions of Social Enterprise in Europe and the United States: Convergences and Divergences*. EMES Working Papers Series, No 09/02.
- Emerson, J. (2006). Moving Ahead Together: Implications of a Blended Value Framework for the Future of Social Entrepreneurship. In Nicholls, A. (Ed.), *Social Entrepreneurship, New Models of Sustainable Social Change* (pp. 391-406). New York: Oxford University Press.
- EMES European Research Network (2008). *Social Enterprise: A New Model for Poverty Reduction and Employment Generation*. UNDP Regional Bureau, Bratislava.
- Kerlin, J. (2006). Social Enterprise in the United States and Europe: Understanding and Learning from the Differences. *Voluntas*, 17(3), pp. 247–263.

---

<sup>11</sup> [www.emes.net](http://www.emes.net)

- Nicholls, A. (Ed.) (2006). *Social Entrepreneurship, New Models of Sustainable Social Change*. New York: Oxford University Press.
- Nyssens, M. (Ed.). (2006). *Social Enterprise - At the Crossroads of Market, Public Policies and Civil Society*. New York: Routledge.
- Salamon, L. S., Sokolowski, W. & Anheier, H. K. (2000). *Social Origins of Civil Society: An Overview*. Working Paper of the Johns Hopkins Comparative Nonprofit Sector Project, no. 38. Baltimore: The Johns Hopkins Center for Civil Society Studies.
- Skloot, E. (1987). Enterprise and Commerce in Non-profit Organizations. In W.W. Powell (Ed.), *The Non-profit Sector: A Research Handbook*. New Haven, CT: Yale University Press.
- Young, D. (1983). *If Not For Profit, For What?: A Behavioral Theory of the Nonprofit Sector Based on Entrepreneurship*. Lanham, MD: Lexington Books.
- Young, D. (1986). Entrepreneurship and the Behaviour of Non-profit Organizations: Elements of a Theory. In S. Rose-Ackerman (Ed.), *The Economics of Non-profit Institutions* (pp. 161-184). New York: Oxford University Press.