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**For an economy of trust
in Europe:**

**The contribution of the social
and solidarity economy.**

From crisis to social change

under the direction of Nicole Alix and Matthieu de Nanteuil

CONFRONTATIONS



EUROPE

Bilingual document (FR/EN)

Number 33 - January 2014

THE BREAKTHROUGH OF SOCIAL ENTERPRISE: CONCEPTUAL CLARIFICATIONS

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“Covering the fifteen countries that then formed the European Union, {EMES} has gradually developed a common approach to social enterprise based on the definition of an “ideal-type”, i.e. an abstract model synthesising the principal characteristics of the new entrepreneurship observed within the social economy”.

Since the mid-90s, we have witnessed a breakthrough of three notions that had virtually never been used before: social entrepreneurship, social entrepreneur and social enterprise. Although each is sometimes the subject of specific conceptual debates, they are largely interconnected – especially since they have gained in popularity and are still riding on the crest of the same wave.

These notions are closely related to the various approaches which, since the 1970s, have stressed the existence of a “third sector” in our economies, distinct from the for-profit private sector and the public sector. It is important that we first provide a brief overview of these now conventional approaches. In addition, far from replacing them, the new notions surrounding social enterprises and the analytical potential that stem from them illuminate and enrich existing approaches, highlighting particular dynamics within the third sector, and sometimes beyond it.

THE REDISCOVERY OF A THIRD SECTOR

Internationally, the American-inspired approach to the non-profit sector is undoubtedly the most widespread. But this approach focuses only on what corresponds roughly to our associations and foundations. It completely ignores initiatives of the cooperative type, which share very much

the same values and are often rooted in the same soil of 19th-century associationism¹¹. This explains why other approaches have developed in Europe, in particular those based on notions of the social economy and the solidarity economy, both of which were forged primarily in France.

The social economy: values, status and rules

Although there is no single definition of the social economy, it is almost always presented as having two key aspects. On the one hand, the term is used to describe private, non-capitalist categories of organisation, with special status and rules: cooperatives, associations and mutuals, and increasingly foundations. On the other hand, the social economy refers to the principles and values which are supposed to inspire certain modes of operation: independent management, set up with an aim of serving members or the community rather than maximising profit (hence a low return on capital and joint reserves that cannot be shared), member equality and a democratic decision-making process.

When the social economy was first officially recognised in France, it was defined as being composed of “cooperatives, mutuals and those of associations classified as such on account of their production activities”. So, to begin with, only as-

¹¹ For a more in-depth analysis of these limits, see Defourny (2001) and Evers & Laville (2004).

sociations managing infrastructures and related services were included. Subsequently, however, many more associations were included in the social economy, to the extent that they became by far the biggest component in terms of jobs. Gradually, the definition of the social economy also expanded to incorporate complementary approaches like the solidarity economy, which generally has its own specific dynamics; as a result, the term social and solidarity economy is used more and more often.

The solidarity economy: re-embedding economics in society

In very concise terms, the solidarity economy may be defined as “all economic activities subject to a determination to act democratically, in which social relations of solidarity have priority over individual interest or material profit” (Laville, 2005, pp. 253-259). More precisely, solidarity economy activities are not a matter of legal status, but of a twofold – economic and political – dimension, which determines their originality.

At the economic level, there is an insistence on reciprocity and mutual commitment among the people who have given birth to the initiative (“*impulsion réciprocaire*”). Activities are then consolidated by a “hybridisation” of the different types of resources: the initial reciprocal resources (e.g. the giving of voluntary labour) are replaced by public contributions linked to redistribution and by market resources. Due to its insistence on a combination of varied economic resources and principles, the solidarity economy approach invites us to say no to the growing hegemony of approaches driven by the sole market forces.

The political dimension of the solidarity economy, on the other hand, is expressed “in the construction of public spaces which allow a debate among the stakeholders on the social demands and the purposes being pursued”. Whether this takes the form of protest against or cooperation with the public authorities, the key issue is that major societal challenges are taken up explicitly by revitalising democratic debate from within. One major challenge, therefore, lies in maintaining autonomous public spaces that are distinct from but complementary to the public spaces instituted and regulated by the public authorities.

THE MAIN TRENDS IN SOCIAL ENTERPRISE IN ENGLISH-SPEAKING COUNTRIES

In the United States, the concept of social enterprise began to emerge in the early 1990s. One of the key events of this period was the launch of a “Social Enterprise Initiative” by the Harvard Business School in 1993. Since then, other leading universities and various foundations have set up training and support programmes for social enterprises and social entrepreneurs.

Following Dees and Anderson (2006), we nevertheless think it appropriate to distinguish between two main American schools of thought: the earned income school and the social innovation school (Defourny & Nyssens, 2010).

The earned income school

The work of the first generation of the “earned income school” equated the concept of social enterprise with the earned-income strategies developed by non-profit organisations to support their social mission. Social enterprise was then seen as an innovative response to the problems of funding “non-profit” organisations, which were increasingly coming up against obstacles in private fund-raising or in obtaining subsidies from public authorities and foundations (Kerlin, 2006).

A second generation within this school has extended the notion of social enterprise to a vast range of organisations, which may be for profit or not for profit, provided they engage in commercial activity in seeking to achieve a social purpose. The emphasis is not only on the importance of commercial resources but also on a set of management methods derived from the profit-making private sector. A wide variety of initiatives developed by conventional commercial companies – various forms of sponsorship and socially oriented activities – can form part of “corporate social responsibility” (CSR) strategies, which many business schools have been quick to describe as social entrepreneurship.

The notion of “social business” proposed by Muhammad Yunus (2010) can also be included in this second generation. This term is used to describe enterprises, whatever their legal status, which have to cover the totality of their costs out of commercial resources. This notion was deve-

loped essentially to achieve recognition for a model of enterprise which focuses on the supply of goods and services to (very) poor customers, a new market segment for some large businesses, particularly in the countries of the South. Social businesses are generally companies established by “major investors such as multinational corporations”, but these owners, at least as envisaged by Yunus, do not receive a dividend: the profits are reinvested 100% in the business to further its social mission.

The social innovation school

Another school of thought focuses on the very specific nature of the social entrepreneur, and his creativity, dynamism and leadership in coming up with new responses to social needs. Dees (1998, p. 4) has proposed the best known definition of a social entrepreneur in that school.

He sees the latter as playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognising and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

The emphasis here is on the systematic nature of innovation and the breadth of its social or societal impact, rather than on the type of resources mobilised. The Ashoka organisation has played a pioneering role in promoting this way of thinking. Since the early 1980s, it has supported entrepreneurs of this kind, even though the term “social entrepreneur” was adopted only at a later stage. Nowadays, individuals of this kind are increasingly presented as modern heroes (Bornstein, 2004).

Some works produced in the United States (Emerson, 2006) emphasise the need to combine these different approaches into a common characterisation of social entrepreneurship based on four key criteria: the pursuit of social impacts; social innovation; the mobilisation of commercial revenues; and the adoption of managerial methods, no matter what the legal status of the organisation (for profit or not for profit, private or public). These

authors emphasise the double, or even triple, bottom line, and the creation of mixed or economic and social added value (“blended value”) with closely linked economic and social dimensions.

SOCIAL ENTERPRISE IN EUROPE

A diverse landscape

Turning to developments in Europe, it is interesting to note that, institutionally, the main initial impulse came from Italy where, in 1991, the Parliament adopted a law granting the specific status of “social cooperative” to the initiatives that had been mushrooming for several years engaged in starting up economic activities for social purposes. Over the last twenty years, following the introduction of this new status in Italy, many other European countries have introduced new legislation of this kind, with eleven of them instituting legal frameworks or public schemes in recognition of the possibility of performing an economic activity while pursuing a social purpose (Roelants, 2009). Some of these frameworks have been shaped on cooperative lines, e.g. *the société coopérative d'intérêt collectif* in France (2001), while others do not refer specifically to the cooperative model.

The approach adopted by the European research network EMES

The different concepts of social enterprise listed above coexist in most parts of the world, including France. Business school academics, such as Nicholls (2006) from Oxford University, have taken up and sometimes re-engineered the concept of social entrepreneurship, drawing inspiration to varying degrees from American schools of thought.

In Europe, however, the first theoretical and empirical bases for conceptualising social enterprise were laid by EMES. This European research network was set up in 1996 to study “the emergence of social enterprises” in Europe. Covering the fifteen countries that then formed the European Union, this network has gradually developed a common approach to social enterprise based on the definition of an “ideal-type” (in the Weberian sense), i.e. an abstract model synthesising the principal characteristics of the new entrepreneurship observed within the third sec-

¹² Our translation.

tor. Researchers have thus identified indicators which enable them to highlight the emergence of new social enterprises and also help them in analysing older organisations reconfigured by new internal dynamics.

The indicators identified by the EMES network have always, thus far, been presented in two sub-groups: four economic indicators and five social indicators (Defourny, 2001, pp. 16-18). For the sake of comparison, however, we think it increasingly appropriate to distinguish three sub-groups, rather than two, thus emphasising the point that some are more indicative of the modes of governance specific to social enterprises as defined by the EMES ideal-type. By applying these nine indicators, we can recognise some characteristics typical of not-for-profit economy organisations which are supplemented or refined here so as to reveal new entrepreneurial dynamics (Borzaga & Defourny, 2001).

Economic indicators:

- a continuous activity producing goods and/or selling services
- a significant level of economic risk
- a minimum level of paid work

Social indicators:

- an explicit aim to benefit the community
- an initiative launched by a group of citizens or civil society organisations
- a limited profit distribution

Participatory governance indicators:

- a high degree of autonomy
- a decision-making power not based on capital ownership
- a participatory nature, which involves various parties affected by the activity

It is important to note that these indicators are not a set of conditions that an organisation must satisfy in order to deserve the label of social enterprise. They are not prescriptive criteria at all but, as already mentioned, they constitute an "ideal-type" which, like a compass, can help the observer to relate the various entities to one another, to group them into certain categories and, if appropriate, to draw boundaries to define the group of social enterprises he wants to highlight, to study in greater depth and/or to bring to the fore of the economic landscape.

CONCLUSIONS

Even if all the practices it embodies are not new, social entrepreneurship is clearly in tune with the times and is continually diversifying, be it in terms of organisation, sector or location. As it is a very recent notion, this growing diversity and the openness of the concept are no doubt two reasons for its quick rise to success with leaders in both the public and private sectors, who, each in their own way, are discovering or rediscovering new opportunities to promote entrepreneurial dynamics and social objectives.

Clearly, the different concepts of social enterprise and social entrepreneurship are deeply rooted in the contexts in which the organisations are created and develop. Each context engenders its own specific debates.

In the American context, it is the private sector, virtually alone, that seems to determine the landscape of social enterprise and social entrepreneurship. This no doubt goes hand in hand with the widespread belief within the business community that market forces have the ability to solve a growing number of social problems. Therefore, even if some argue that different types of resources should be mobilised, it is quite likely that the current wave of social entrepreneurship will in part lead to social issues being prioritised and selected according to whether or not they can be tackled by entrepreneurial and commercial means. Of course, some innovative solutions may result from what is termed as "social business", but, from a societal point of view, we can only question the pertinence of selecting social needs in this way.

Such questions are also increasingly relevant in Europe, particularly in countries where the privatisation and commercialisation of social services have been taken the furthest. In Europe, however, many social enterprises are facing a different kind of challenge. Like their counterparts in eastern Asia (Defourny et Kim, 2011), social enterprises in Europe are increasingly supported by public policies aimed at reintegrating disadvantaged workers into the job market or ensuring the provision of services to vulnerable populations. The danger of such support is that, by institutionalising social innovation, it can prevent it from progressing beyond a certain stage. Social enterprises may also be used as tools to forward political agendas, which will rob them of their in-

dependence and creativity.

It is difficult for social enterprises to find a way forward under all these isomorphic pressures, so they would gain a lot from maintaining and strengthening their ties with the social economy and solidarity economy, which is the most frequent and most natural melting pot for social entrepreneurs. In fact, the SSE is very knowledgeable about the best way to preserve an identity while interacting with the market, the public authorities and civil society. ■

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