

---

## 3. Social innovation, social economy and social enterprise: what can the European debate tell us?

*Jacques Defourny and Marthe Nyssens*

---

### 3.1 INTRODUCTION

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. However, for reasons which vary from region to region, the concept of social enterprise is now gaining a fast growing interest along with two closely related terms, namely ‘social entrepreneur’ and ‘social entrepreneurship’.

Social innovation, or at least innovation to provide answers to social needs, seems to be at the heart of the fast developing literature around those ‘SE concepts’. So it makes sense to question more deeply the actual links which may exist between the corpus of social enterprise research and the social innovation dynamics as defined in this book’s introduction through three major features: the satisfaction of human needs, the relations between humans in general and between social groups in particular, and the empowerment of people trying to fulfil their needs, this third feature being seen as a bridge between the first and the second.

For doing so, we first contextualize the emerging SE concepts, especially highlighting their different roots and subsequent schools of thought both in the United States and Europe. While doing this, we try to show the extent to which social innovation has a place and a role in such streams of literature (Section 3.2).

Then, we analyse more deeply the EMES conceptualization of social enterprise. The EMES approach to social enterprise has been developed by a group of European scholars and is anchored in the European tradition of social economy (Section 3.3). The specificity of the EMES approach is to approach social enterprises dynamics both by its aim, the primacy of social aim and its process through democratic governance echoing the different dimensions of social innovation (Section 3.4). Finally, we develop the issue of the links between public policies and the diffusion of social innovation in the field of social enterprise. For that purpose, we rely on one of the main EMES research projects in the field of work integration social enterprise (Section 3.5).

### 3.2 SOCIAL INNOVATION IN THE VARIOUS SOCIAL ENTERPRISE SCHOOLS OF THOUGHT

While social innovation emerged as a specific field of interest in the early 1980, through pioneering works like those of

Chambon et al. (1982) among others, the concepts of social entrepreneurship and social enterprise only attracted a clear research interest more than a decade later, mainly in third sector studies and then well beyond that specific field to embrace a wide range of business strategies to address social challenges. Probably because they are recent and try to cover a wide range of initiatives, current conceptions and theories of social enterprise/social entrepreneurship do not form an integrated body rather a cluster of theories where different schools of thought can be identified (Defourny and Nyssens 2010). This is why we first develop a brief historical and contextual analysis of those schools of thought in order to better identify their respective links with the social innovation debate.

### 3.2.1 The 'Earned Income' School of Thought

The first school regarding the conceptual debate on social enterprise refers to the use of commercial activities by non-profit organizations in the United States. Indeed, the bulk of its publications focus on strategies for starting a business that would earn income in support of the social mission of a non-profit organization and that could help diversify its funding base in a context of increased competition for philanthropic and public resources (Weisbrod 1998; Kerlin 2006). However, we suggest a distinction between an earlier strand in this school focusing on non-profits, and which we call the 'commercial non-profit approach', on the one hand, and a broader and more recent strand embracing all forms of business initiatives, and which may be named the 'mission-driven business approach', on the other hand. The latter approach also deals with social purpose ventures encompassing all organi-

zations that trade for a social purpose, including for-profit companies (Austin et al. 2006).

Within this 'earned income' school of thought, no link is explicitly made with social innovation. Its earlier version however is deeply rooted in the tradition of non-profit studies which, for several decades, have tried to understand the role and the *raison d'être* of non-profit organizations within market economies. More precisely, among such *raison d'être*, some authors have identified the socially innovative capacity of non-profits in the field of social services: indeed, an historical perspective shows that non-profit organizations played a pioneering role by meeting emerging social demands, which clearly corresponds to the first dimension of social innovation. They reveal, to some extent, collective benefits associated to the provision of goods and services (Salamon 1987).

Although closer to the 'mission-driven business approach', the notion of social business as understood by M. Yunus (2010) also has an implicit dimension of social innovation: defined as a non-loss, non-dividend, fully market-based company dedicated entirely to achieving a social goal, his notion of social business always involves an innovation which allows the meeting of a basic need of poor populations (for instance, a highly nutritive yoghurt distributed at a very low price by a large number of disadvantaged female sellers).

### 3.2.2 The 'Social Innovation' School of Thought

This second SE school puts the emphasis on social entrepreneurs in a typical Schumpeterian perspective. The early writings of this school came first of all from 'reflective practitioners who saw themselves as civic entrepreneurs working

in collaborative arenas to improve the resilience of specific communities with an ambition of systemic change' (Hulgard 2010, p. 295). This was also the approach adopted by Bill Drayton and Ashoka, the organization he founded in 1980 in the United States. Ashoka's mission was (and still is) to find and support social entrepreneurs who 'have innovative solutions to social problems and the potential to change patterns across society' (<http://www.ashoka.org/fellows>, last accessed 7 December 2012). Ashoka therefore focuses on the profiles of very specific individuals (first referred to as 'public entrepreneurs') able to bring about social innovation in various fields. Although many initiatives launched by social entrepreneurs result in the setting up of non-profit organizations, most recent works of this school of thought tend to underline blurred frontiers and the existence of opportunities for entrepreneurial social innovation within the private for-profit sector and the public sphere as well.

Whether the work of these social entrepreneurs is to deliver solar energy to Brazilian villagers, to improve access to college in the United States or to start a home-care system for AIDS patients in South Africa (Bornstein 2004), the centre of attention is their capacity to develop innovative ways to address pressing social needs, thus reflecting the first dimension of social innovation as understood in this book, i.e. the satisfaction of human needs.

For this school of thought, social entrepreneurship is therefore more a question of outcomes (Dees 1998; Mulgan 2007; Murray et al. 2010) than a question of incomes, as it is in the 'earned income' school. Moreover, the systemic nature of innovation involving new frameworks (technologies, institutional forms, regulatory and fiscal frameworks . . .) is underlined as well as its impact at a broad

societal level through a process of scalability (Kramer 2005; Martin and Osberg 2007; Mulgan 2010). However, if the satisfaction of human needs is at the core of this school, the key actors of innovation are seen in a rather individualistic perspective and therefore the issue of relations between different social groups is not part of the debate.

### 3.3 SOCIAL ENTREPRENEURSHIP AS OBSERVED BY THE EMES NETWORK IN EUROPE

In Europe, the social enterprise debate took place in the mid-1990s though the identification of new entrepreneurial dynamics at the very heart of the third sector, primarily arising in response to social needs that were inadequately met, or not met at all, by public services or for-profit enterprises. Before looking at this phenomenon, let us stress that a strong European tradition sees the third sector as bringing together cooperatives, associations, mutual societies and increasingly foundations, or in other words, all not-for-profit organizations (organizations not owned by shareholders) that are also labelled the 'social economy' in some European countries (Evers and Laville 2004). This legal-institutional approach of the social economy is usually combined with a normative or ethical approach which underlines the essential common features of these different types of organizations: their aim is to provide a good or service to their members or to a community, rather than generating profits, and their specific governance rules (independent management, democratic decision making process and primacy of people and labour over capital in the distribution of income) thereby expressing a long historical quest for economic democracy (Defourny 2001).

Why did it make sense to talk about a new social entrepreneurship and not simply an evolution in third sector or social economy organizations? In 1996, scholars from the 15 EU member states got together to study and compare the 'emergence of social enterprise' in all their respective countries (and to form the EMES European Research Network).<sup>1</sup> The background of this major research project was the classic work of Schumpeter, for whom economic development is a 'process of carrying out new combinations' in the production process. Following the work carried out by Young (1983) and Badelt (1997), the Schumpeterian typology of innovation was reinterpreted to identify innovating dynamics in the third sector (EMES 1999; Defourny 2001).

### 3.3.1 New Products or a New Quality of Products

There are many theoretical and empirical works showing that third sector organizations have often invented new types of services to take up the challenges of their time (Salamon 1987; Defourny et al. 1999). Therefore, many of these organizations can be said, nowadays as in the past, to be born or have been born from an entrepreneurial dynamic. But have the last two or three decades been different in any specific way? The answer is clearly affirmative as the crisis of the European welfare systems (in terms of budget, efficiency and legitimacy) has resulted in public authorities increasingly looking to private initiatives to provide solutions that they would have implemented themselves if the economic climate and the collective willingness to redistribute had been as good as in the 1945–1975 'golden period'. The two main fields of activity covered by the works of the EMES European Research Network, namely work integration of low-qualified

jobseekers (Nyssens 2006) and personal services (Borzaga and Defourny 2001), have seen multiple innovations in terms of new activities better adapted to needs, whether in regard to vocational training, childcare, services for elderly people, or aid for certain categories of disadvantaged persons (abused children, refugees, immigrants etc.) referring to the first dimension of social innovation i.e. the satisfaction of human needs.

Such a social entrepreneurship seemed all the more innovative as, even within the third sector, it sometimes contrasted sharply with the bureaucratic and only slightly innovative behaviour of certain large traditional organizations.

### 3.3.2 New Methods of Organization and/or Production

What is most striking in the current generations of social enterprises is the involvement of several categories of actors. Salaried workers, volunteers, users, support organizations and local public authorities are often partners in the same project, whereas traditional social economy organizations have generally been set up by more homogeneous social groups. If this does not necessarily revolutionize the production process in the strict meaning of the term, it nevertheless often transforms the way in which the activity is organized. In some cases, one could even talk of a joint construction of supply and demand, when providers and users cooperate in the organization and management of certain proximity services (Laville and Nyssens 2000). The setting-up of childcare centres run by parents in France or in Sweden is just one of many examples of such cooperation. In this case, social innovation not only refers to the satisfaction of human needs (e.g. childcare) but also to the relations between different social

groups in the entrepreneurial process (for example users, workers and volunteers) and to the empowerment of users themselves trying to fulfil their needs. Users are no longer considered as consumers but as central actors of the development of the service itself.

### 3.3.3 New Production Factors

One of the major but long-standing specific characteristics of the third sector is its capacity to mobilize volunteer work. In itself, the use of volunteers is thus not innovating. However, volunteering has profoundly changed in nature over the last few decades: it seems to be not only much less charitable than 40 or 50 years ago, but also less 'militant' than in the 1960s or 1970s. Today's volunteers are fairly pragmatic and focus more on 'productive' objectives and activities that correspond to specific needs. It is not unusual, indeed, that the entrepreneurial role, in the most common meaning of the term (launching an activity), is carried out by volunteers.

Paid work has also seen various innovations. For instance, many third sector organizations have been at the forefront of experiments regarding atypical forms of employment, such hiring salaried workers in the framework of unemployment reduction programmes. This is the case with work integration social enterprises (WISEs) which were pioneers in promoting the integration of excluded persons through a productive activity. The first WISEs actually implemented active labour market policies before they came into institutional existence. More precisely, the philosophy of innovative social enterprises which emerged in the 1980s clearly resided in the empowerment and integration of excluded groups through participation in WISEs whose aim was to offer the disadvantaged workers a chance to reassess the

role of work in their lives by supporting them while they gained control over their own personal project. This conception implies not only giving an occupation to these persons but also developing specific values, for example through democratic management structures in which disadvantaged workers are given a role, and/or through the production of goods and services generating collective benefits (such as social services or services linked to the environment) for the territory in which the WISEs are embedded (Nyssens 2006).

Once more, what is at stake in both cases is not only satisfying needs (for volunteers, providing social services, for unemployed persons having a job) but also the relations between social groups as volunteers and workers in integration initiatives are not considered as underling agents but instead are mobilized with other stakeholders in the entrepreneurial process itself through specific organizational structures which favour empowerment of these groups.

What is striking from this brief overview is the multiplicity of facets of social innovation, from dynamics in social enterprises related to new services satisfying basic human needs, to the relationships between social groups involved in the entrepreneurial process as well as the empowerment of groups formed by users, workers or volunteers, among which there are often vulnerable persons.

### 3.3.4 The EMES Conceptual Approach of Social Enterprise

Against this background, the EMES European Research Network built a working definition to identify organizations likely to be called 'social enterprises' in all 15 countries that then formed the EU. Guided by a project that was both theoretical and empirical and instead of seeking an elegant short definition, EMES

preferred from the outset the selection of various indicators based on an extensive dialogue among several disciplines (economics, sociology, political science and management) as well as among the various national traditions and sensitivities regarding social enterprise within the European Union. Through the nine indicators presented hereafter, it is easy to recognize usual characteristics of social economy organizations, which are refined in order to highlight new entrepreneurial dynamics (Borzaga and Defourny 2001). Those indicators allow the identification of brand new types of social enterprises, but they can also lead to designate as social enterprises older organizations being reshaped by new internal dynamics.

Such indicators were never intended to represent the full and precise set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an 'ideal-type' in Weber's terms, i.e. an abstract construction that enables researchers to position themselves within the 'galaxy' of social enterprises. In other words, they constitute a tool, somewhat analogous to a compass, which helps the researchers locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply.

The indicators have so far been presented in two subsets consisting of four economic indicators and five social indicators (Defourny 2001, pp. 16–18). However, it now seems more appropriate to classify these nine indicators into three subsets rather than two, to highlight particular forms of governance which appear to be specific to the EMES ideal-type social enterprise when compared to the other SE schools of thought presented here above (Defourny and Nyssens 2010). As it will

be shown, this governance pillar has a profound impact on the way social innovation may be theorized and observed in social enterprises.

Three criteria reflect *the economic and entrepreneurial dimensions* of social enterprises.

- a) A continuous activity producing goods and/or selling services: social enterprises, unlike some traditional non-profit organizations, do not normally have advocacy activities or the redistribution of financial resources (as, for example, many foundations) as their major activity, but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.
- b) A significant level of economic risk: those who establish a social enterprise assume totally or partly the risk inherent in the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.
- c) A minimum amount of paid work: as in the case of most traditional non-profit organizations, social enterprises may combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

Three indicators encapsulate the *social dimensions* of such enterprises:

- d) An explicit aim to benefit the community: one of the principal aims of social enterprises is to serve the community

or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at the local level.

- e) An initiative launched by a group of citizens or civil society organizations: social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in one way or another, even though the importance of leadership – often embodied by an individual or a small group of leaders – must not be neglected.
- f) A limited profit distribution: the primacy of the social aim is reflected in a constraint on the distribution of profits. However, social enterprises not only include organizations that are characterized by strict non-distribution constraint, but also organizations which – like cooperatives in many countries – may distribute profits, but only to a limited extent, thus allowing to avoid a profit-maximizing behaviour.

Finally, three indicators reflect the *participatory governance* of such enterprises:

- g) A high degree of autonomy: social enterprises are created as autonomous projects which are governed by the people involved in it and not, directly or indirectly, by public authorities or other organizations (federations, private firms etc.) even though they may rely partly on public subsidies/funds. Those involved in the governance of such enterprises have the right both to express their ideas ('voice') and to terminate their activity ('exit').
- h) A decision-making power not based

on capital ownership: this criterion generally refers to the principle of 'one member, one vote' or at least to a decision-making process in which voting power is not distributed according to capital shares in the governing body which has the ultimate decision-making rights.

- i) A participatory nature, which involves various parties affected by the activity: representation and participation of users or customers and of various stakeholders in the decision-making process and a participative management often are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at the local level through economic activity.

### 3.4 WHAT LINKS THE EMES APPROACH TO THE CONCEPT OF SOCIAL INNOVATION?

It seems social innovation does not appear explicitly in these various EMES indicators, which may be surprising as we showed that SE's dynamics have been a vehicle for social innovation throughout Europe. The reason is that the focal point of EMES work has been the identification of entrepreneurial dynamics driven by social aims. If social enterprises have been pioneering in various fields (work integration, ethical banking, recycling industries, personal services . . .), they also provide an organizational form that contributes significantly to the scaling up of innovation and its replicability. For example, in the European Union, the pioneering WISE initiatives were launched in the late 1970s/early 1980s, without any specific public scheme to support their objectives. As a matter of fact, in a context of increasing unemploy-

ment and social exclusion, social actors did not find public policy schemes adequate to tackle these problems. Initiatives thus emerged as a protest against established public policies and pointed at the limits of institutional public intervention practices towards those excluded from the labour market. In that early stage, many such WISEs were quite innovative and, in a second stage, they contributed to shaping innovative public policies in the field of work integration (Defourny and Nyssens 2008). In turn, the existence of such specific public programs fostered the development of work integration social enterprises which are now the result of a scaling up the process of social innovation but can no longer be qualified as fully innovative in many countries.

If social innovation is not present as such among EMES indicators, it should be stressed, however, that the governance pillar, which distinguishes the EMES approach to SE from the others SE schools, allows us to highlight specific links with social innovation. To do this, let us come back again to the different components of social innovation dynamics as stated in the introduction of this book: the satisfaction of human needs, the relations among human beings in general, and among social groups in particular, as well as the empowerment of people trying to fulfil their needs, this last feature being considered as a bridge between the first and the second.

The first element – the satisfaction of human needs – is at the intersection of the criteria of ‘a continuous activity producing goods and/or selling services’ and ‘an explicit aim to benefit the community’. Indeed, the goal of SE is not the maximization of profit but the provision of goods or services which matter for the development of a community (even if they are especially addressed to a specific target group in the

community). In fact, this characteristic is shared by the vast majority of SE schools. In traditional business entrepreneurship, the key motivation is to build a profitable company and to earn an attractive return on investment, while in social entrepreneurship the drive is to create social value (Austin et al. 2006).

The other two dimensions of social innovation – the relations between social groups and the empowerment of people – are deeply linked to the governance pillar of the EMES approach as the latter’s ideal-type SE involves a collective dynamics. More precisely, the participatory governance pillar can be seen as a set of institutional characteristics designed to ensure that the initial collective impulse will be maintained over time. First, the organizational autonomy and a distribution of voting power not based on capital ownership are certainly in line with the cooperative tradition for which there is a primacy of members as persons over any logic of profit accumulation and maximum return on investment. Second, these features add to constraints on the distribution of profits with a view to strengthening the non-capitalist nature of the enterprise. Third, within such a cooperative-like tradition, the EMES social enterprise may be seen as innovative: while most cooperatives are typically organizations fostering the interests of one category of stakeholders (workers, consumers, savers, farmers . . .), social enterprises often represent a new type of cooperative or cooperative-like enterprise, i.e. involving various types of stakeholders in their governance structures and/or focusing on the needs of target groups who are not necessarily part of the membership. These institutional characteristics reflect the fact that social innovation doesn’t solely concern outcomes, but processes as well – and most especially the social relations between groups.



The EMES ideal-type SE suggests that the production of social value through the provision of goods and services meeting important needs of a community and the implementation of specific governance patterns are deeply interrelated. Moreover, a great deal of EMES empirical works confirms that social enterprises with such structural features are more likely to be vehicles of social innovation (Gardin 2006b; Brandsen and Pestoff 2009). In this sense, we fully share the point of view of Moulaert and Nussbaumer (2005, p. 2071) stating that:

social innovation at the local level rests on two pillars: institutional innovation (innovation in social relations, innovations in governance including empowerment dynamics) and innovation in the sense of the social economy – i.e. satisfaction of various needs in local communities . . . Yet both pillars are intimately related.

### 3.5 SOCIAL ENTERPRISE AND PUBLIC POLICIES

The analysis of social innovation can't be limited at the level of the organization. As noted by Moulaert and Nussbaumer (2005), it is insufficient to design specific modes of governance without taking into account higher spatial scales and their impact on the meso level.

In the European context, the process of institutionalization of social enterprise has often been closely linked to the evolution of public policies. As already mentioned, a historical perspective shows social enterprises have contributed to the development of new public schemes and legal frameworks, which in turn became channels for social innovation. Especially, social enterprises built platforms and federative bodies to advocate for a better recognition of their specificities. As a result, laws were

passed to promote new legal forms, better suited to social enterprises, and public schemes were designed to target more specifically work integration social enterprises (Defourny and Nyssens 2008).

Italy has clearly been a pioneer in such a move: as early as in 1991, the Italian parliament passed a law creating a new legal form for 'social cooperatives' and the latter went on to experience an extraordinary growth. In the second part of the 1990s or in the early 2000s, 11 other European countries also introduced new legal forms reflecting and promoting the entrepreneurial approach adopted by an increasing number of 'not-for-profit' organizations, even though the term of 'social enterprise' was not always used as such in those legislations (Roelants 2009). The emergence of these social cooperatives and social enterprises are more or less explicitly related to the cooperative tradition (Defourny and Nyssens 2008) characterized by a quest for democracy through economic activity, which has been at the heart of many pioneering initiatives of the 19th and 20th century across Europe.

#### 3.5.1 Scaling up of Social Innovation or Trend towards Isomorphism?

In turn, legal frameworks tend to shape, at least in part, the objectives and practices of social enterprises. So it is relevant to raise the hypothesis of a possible trend towards 'isomorphism' in such organizations – isomorphism being understood as a progressive loss of their inner characteristics under the pressure of legal frameworks or professional norms spilling over from the for-profit private or public sectors (Di Maggio and Powell 1983). If they could actually be observed, isomorphism pressures could curb the innovative dynamics of social enterprises.

This question, among others, has been

analysed by the EMES Network in the field of work integration through a large empirical survey covering 160 WISEs in 11 EU countries over four years (Nyssens 2006). On the basis of such a detailed field study, one of the largest to date, Bode et al. (2006) conclude that there is no overall tendency towards isomorphism understood as an evolution in which WISEs completely lose their initial identity. This said, however, external pressures generate strained relations between the different goals of WISEs.

Both public authorities and governing bodies of WISEs agree on the fact that the hiring and professional integration of disadvantaged workers are at the very heart of WISEs' mission, but differences arise regarding how this integration is to be understood. The dominant model of public recognition of WISEs tends to only acknowledge one kind of benefits – namely those benefits linked to the work-integration goal in the framework of active labour market policies – and through a very specific target, i.e. the integration of workers into the 'first' labour market.

Getting workers back into the first labour market was actually not the priority of the pioneering WISEs. However the institutionalization and professionalization of the field over the years, through public schemes increasingly linked to active labour market policies, has generated a clear pressure to make the social mission instrumental to the integration of disadvantaged workers into the first labour market. As a result, a strained relation can often be observed between the objective of empowering excluded groups through participative decision-making processes and the mission of integrating the beneficiaries into 'normal' jobs. Regarding the production goal, the first challenge for WISEs is to find a type of production suited to the capacities of the

disadvantaged groups they employ while making it possible to train these workers through the production process. To meet this challenge, developing market niches has proven a successful strategy. However, 'WISEs which have successfully entered into niche markets may discover that, from the moment these markets become more stable, private competitors (with fewer social concerns and constraints) are keen to make money in them as well' (Bode et al. 2006, p. 239). As a result, WISEs can be driven to adopt the norms of these for-profit competitors.

### **3.5.2 A Genuine Hybrid Identity or an Impossible Combination of Conflicting Logics?**

In various regards, social enterprises can be seen as hybrid organizations and their hybrid nature is reflected particularly clearly in their mode of governance and sources of income. Such a hybridity could be qualified as an institutional innovation. However, does this hybrid character of social enterprises constitute a bulwark against isomorphism, or is it rather a threat for their identity, embedded in different, contradictory logics?

Their mode of governance could be seen as hybrid insofar as it relies on a dynamic of linking people with different backgrounds. Indeed, most WISEs surveyed by the EMES network were founded through a partnership among different categories of civil society actors. Local public bodies were sometimes associated with this dynamic as well. Fifty-eight per cent of European WISEs were described as involving more than one category of stakeholders on their board, these categories being defined as users, volunteers, workers, local businesses, public bodies, other non-profit organizations (Campi et al. 2006). These features highlight the

collective and hybrid dynamic underlying many social enterprises and contrast with some literature on social entrepreneurship just emphasizing the leadership of individual social entrepreneurs without any attention towards the role of other stakeholders in the enterprise's governance.

Hybridity is also reflected by the resource mix mobilized by European WISEs (Gardin 2006a). The latter indeed show a particular capacity to articulate resources coming from different sources. The sales of goods and services represent on average, at the European level, 53 per cent of WISEs' resources – of these 53 per cent, one third are socially motivated sales i.e. the result of public purchases decided where explicit social objectives of WISEs are taken into account in the choice of the provider by the public authorities for example through social clauses. Redistribution resources account for 38.5 per cent of resources. Voluntary resources, which are most probably undervalued, represent on average 8.5 per cent of total resources. This last kind of resource somehow reflects the degree of embeddedness of WISEs in civic networks: social enterprises which are more strongly embedded in civic networks are usually better able to mobilize volunteer resources than social enterprises launched mainly with the impulse of public bodies.

Public schemes, though, do not usually recognize such a hybrid character of social enterprises. Indeed, one of the most visible effects of the institutionalization of WISEs in the different European countries is that it pushes them to reduce the variety of their resources mix and to position themselves, most of the time, either in the 'market economy' or, when they employ very disadvantaged workers, in the 'redistributive economy'; as to the role of voluntary resources, it is in neither case recognized. Such a too narrow approach puts social enterprises into 'boxes', denying one of

their fundamental characteristics – namely the fact that they are located in an intermediate space between the market, the state and civil society.

### 3.6 CONCLUSION

The social enterprise debate is on the rise. The diversity and openness of the concept are probably some of the reasons for its success. The perspective we have adopted in this chapter suggests that the various SE conceptions are deeply rooted in the social, economic, political and cultural contexts in which these organizations emerge. These conceptions have obvious links with the social innovation debate. A focus on the satisfaction of human needs is shared by all SE schools as each one in its own way, is discovering or rediscovering new opportunities to promote, simultaneously, entrepreneurial spirit and the pursuit of the public good. The specificity of the EMES approach which is embedded in the European social economy tradition is to highlight the central place of participatory governance which paves the way for the empowerment of various groups of stakeholders – users, workers, volunteers . . . – involved in the activity.

In the European context, the process of institutionalization of social enterprise has often been closely linked to the evolution of public policies. In fact, social enterprises significantly influence their institutional environment and they contribute to shaping institutions including public policies. If this dynamic can be seen as a channel for the diffusion of social innovation, the key role of public bodies in some fields of social enterprises may also reduce them to instruments to achieve specific goals which are given priority on the political agenda, with a risk of bridleing the dynamics of social innovation.

Empirical evidence shows that the involvement of various categories of stakeholders in social enterprises constitutes a channel for developing relations and trust among these groups. Analysis also tends to show that such a multi-stakeholder nature may in turn be a resource to pursue a complex set of objectives and may consequently support the innovative capacity of social enterprises. Finally, the reliance on a variety of resources, both from the point of view of their origin (e.g. from private customers, from the business sector, from the public sector or from the third sector) and regarding the mode of resource allocation (e.g. sales of services, public subsidies, gifts and volunteering), also appears to be a key element to enable social enterprises fulfilling their multiple-goal missions. Keeping and managing such a hybridity nevertheless constitutes a daily challenge for social enterprise.

### 3.7 QUESTIONS FOR DISCUSSION

- Social innovation doesn't concern the sole outcomes but the process of social innovation as well and more especially the social relations between groups. A key research question in the field of social enterprises is therefore the analysis of governance structure inside the enterprise. Which ones do you think foster social innovation?
- What are the links between economic value, social value and social innovation? Do you think they are substitutes or complementary dimensions in social enterprises?

### NOTE

1. [www.emes.net](http://www.emes.net) (last accessed 7 December 2012).

### REFERENCES

- (References in bold are recommended reading.)
- Austin, J.E., B. Leonard, E. Reficco and J. Weiskillern (2006), 'Social Entrepreneurship: It's for Corporations too', in A. Nicholls (ed.) *Social Entrepreneurship, New Models of Sustainable Social Change*, New York: Oxford University Press, pp. 169–180.
- Badelt, C. (1997), 'Entrepreneurship theories of the non-profit sector', *Voluntas*, **8** (2), 162–178.
- Bode, I., A. Evers and A. Schultz (2006), 'Social Enterprises: Can Hybridisation be Sustainable?', in M. Nyssens (ed.), pp. 237–258.
- Bornstein, D. (2004), *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, New York: Oxford University Press.
- Borzaga, C. and J. Defourny (eds) (2001), *The Emergence of Social Enterprise*, London and New York: Routledge.
- Branden, T. and V. Pestoff (2009), 'Public governance and the third sector: opportunities for co-production and innovation?', in S. Osborne (ed.) *The New Public Governance? New Perspectives on the Theory and Practice of Public Governance*, London and New York: Routledge, pp. 223–236.
- Campi, S., J. Defourny and O. Grégoire (2006), 'Multiple Goals and Multiple Stakeholder Structure: The Governance of Social Enterprises', in M. Nyssens (ed.), pp. 29–49.
- Chambon, J.-L., A. David and J.-M. Devevey (1982), *Les innovations sociales*, Paris: Presses Universitaires de France.
- Dees, J.G. (1998), 'The Meaning of Social Entrepreneurship', Working Paper, Kauffman Center for Entrepreneurial Leadership.
- Defourny, J. (2001), 'From Third Sector to Social Enterprise', in C. Borzaga and J. Defourny (eds), *The Emergence of Social Enterprise*, London and New York: Routledge, pp. 1–28.
- Defourny, J. and M. Nyssens (2008), 'Social Enterprise in Europe: Recent Trends and Developments', *Social Enterprise Journal*, **4** (3), 202–228.
- Defourny, J. and M. Nyssens (2010), 'Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences', *Journal of Social Entrepreneurship*, **1** (1), 32–53.**
- Defourny, J., P. Develtere and B. Fonteneau (1999), *L'économie sociale au Nord et au Sud*, Bruxelles: De Boeck.
- Di Maggio, P.J. and W. Powell (1983), 'The iron cage

- revisited institutional isomorphism and collective rationality in organizational fields', *American Sociological Review*, **48**, 147–160.
- EMES European Network (1999), *The Emergence of Social Enterprises in Europe. A Short Overview*, Brussels: EMES.
- Evers, A. and J.-L. Laville, (eds) (2004), *The Third Sector in Europe*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing.
- Gardin, L. (2006a), 'A variety of resource mix inside social enterprises', in M. Nyssens (ed.), pp. 111–136.
- Gardin, L. (2006b), *Les initiatives solidaires. La réciprocité face au marché et à l'Etat*, Toulouse: Editions Erès.
- Hulgard, L., (2010), 'Social Entrepreneurship', in K. Hart, J.L. Laville and C. Cattani, (eds), *The Human Economy, a Citizen's Guide*, London: Polity Press, pp. 293–300.
- Kerlin, J. (2006), 'Social Enterprise in the United States and Europe: Understanding and Learning from the Differences', *Voluntas*, **17** (3), 247–263.
- Kramer, M. (2005), *Measuring Innovation: Evaluation in the Field of Social Entrepreneurship*, Boston, MA: Foundation Strategy Group.
- Laville, J.L. and M. Nyssens (2000), 'Solidarity-Based Third Sector Organizations in the "Proximity Services" Field: a European Francophone Perspective', *Voluntas*, **11** (1), 67–84.
- Martin, R. and S. Osberg (2007), 'Social Entrepreneurship: The Case for Definition', *Stanford Social Innovation Review*, Spring, 28–39.
- Mulgan, G. (2007), *Social innovation. What it is, why it matters and how it can be accelerated*, London: Young Foundation.
- Moulaert, F. and J. Nussbaumer (2005), 'Defining the Social Economy and its Governance at the Neighbourhood Level: A Methodological Reflection', *Urban Studies*, **42** (11), 2071–2088.
- Murray, R., J. Caulier-Grice and G. Mulgan (2010), *The Open Book of Social Innovation*, Social Innovator Series, London: NESTA.
- Nyssens, M. (ed.) (2006), *Social Enterprise – At the Crossroads of Market, Public Policies and Civil Society*, London and New York: Routledge.
- Roelants, B. (2009), *Cooperatives and Social Enterprises. Governance and Normative Frameworks*, Brussels: CECOP.
- Salamon, L. (1987), 'Partners in Public Service: The Scope and Theory of Government-Nonprofit Relations', in Walter W. Powel, *The Nonprofit Sector. A Research Handbook*, New Haven: Yale University Press, pp. 99–117.
- Weisbrod, B.A. (ed.) (1998), *To profit or not to profit: the commercial transformation of the nonprofit sector*, Cambridge: Cambridge University Press.
- Young, D. (1983), *If Not for Profit, for What?* Lexington, MA: Lexington Books.
- Yunus, M. (2010), *Building Social Business: Capitalism that can serve humanity's most pressing needs*, New York: Public Affairs.