

Social Enterprises: International and Israeli Dimensions

College of Management Academic Studies - Rishon Le'Zion

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Social Enterprise Dynamics and Patterns: an International Comparative Perspective

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OVERVIEW

1. Early developments: new actors or new notions?
2. Defining social enterprise: three schools of thought
2. Comparing social enterprise models worldwide
3. Which development paths for social enterprises?
5. Conclusions

1. New Actors or New Notions?

A. Early developments (late 1980's - 2002)

- Appearance of new notions around 1990 in Europe : “**Impresa sociale**” and **social coops** in Italy;
U.S: Ashoka’s entrepreneurs for the public, **social enterprise** (Harv.U)
- **Social entrepreneurship, social entrepreneur, social enterprise**: first without clear distinctive features
- **Increased confusion induced by a lot of new terms**: social business, social venture, mission-driven business, venture philanthropist, community enterprise, ... and many others.
- Almost **no connection between EU and US** developments until 2000. Now **mutual influence among world regions** in spite of obvious regional specificities

Quite early, social enterprise
was seen as a double-sided concept:

Social enterprises can be

NEW ENTITIES

OR

ALREADY EXISTING ORGANISATIONS
reshaped by a new entrepreneurial dynamics

PIONEERING ACTORS : ITALIAN SOCIAL CO-OPERATIVES

- ✓ 1980's: withdrawal of the State from some social services
- ✓ Wide diversity of private (collective) entrepreneurial initiatives to respond to unmet social needs
- ✓ As soon as 1990, launching of the « Impresa Sociale » journal
- ✓ Law of 1991 creating the legal form of « social solidarity co-operative »
 - A-type social co-operatives: social services co-operatives
 - B-type social co-operatives: work integration social co-operatives
- ✓ Social co-operatives have created more than 300 000 jobs (also 30,000 volunteers)

THE STRATEGY OF THE BRITISH GOVERNMENT

- ✓ 2002: publication of the document « Social Enterprise: a Strategy for Success » (Secretary of State for Trade and Industry)
- ✓ A quite open and influential definition of social enterprise as « a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. »
- ✓ 2006: Social Enterprise Unit within the Office of the Third Sector
- ✓ Large variety of activities developed by social enterprises: health and social care, community and social services, education, estate activities, etc.

B. Changes in public policy as a driving force

- In the US, shortcuts **in the volume** of public grants to NPOs, in addition to increased competition for philanthropic support
- In Europe, **forms** - rather than the volume - of public funding were transformed: from subsidies to **quasi-market** orientation, second labor market programs
- In Eastern Asia: financial crisis in the 90's and move of public policies toward **more active labor market policies** linked to social jobs programs (South Korea) or with **long-term health care insurance** (Japan)

- New legal frameworks **related to the "cooperative model"**:
 - Italy (1991): "social cooperative"
 - Portugal (1998): "social solidarity cooperative"
 - Spain (1999): "social initiative cooperative"
 - France (2001): "cooperative society of collective interest "
 - Hungary (2004): " social cooperative "
 - Poland (2006): "social cooperative"
 - South Korea (2013): " social cooperative "
- New legal frameworks **based on a more "open model"**:
 - Belgium (1995): "social purpose company"
 - United Kingdom (2004): "community interest company"
 - Finland (2004): "social enterprise "
 - Lithuania (2004): "social enterprise "
 - Italy (2006): "social enterprise "
 - South Korea (2007): "social enterprise "
 - United States: L3C, (general public) benefit corporation

C. Other key actors shaping the debate

- In Europe:
 - **New federative bodies** advocate for a better recognition of social enterprise specificities (Italy, UK, France...)
 - EU structural funds (ex: Equal program)
 - First, mainly scholars from **social sciences**, then business schools
- In the US:
 - **Ashoka** and pro-active **foundations**
 - Blooming of **consulting companies** to support this new « industry »
 - Mainly scholars from **business schools**
- In Eastern Asia:
 - Strong influence of **top-down public policies**
 - Emerging **civil society** movements
 - Significant support from **large corporations' foundations**

2. Three Major Schools of Thought

Key question: What are the distinctive defining features of social enterprises in **theory** (conceptions) and **practice** (concrete models)?

Two conceptions rooted in the US context:

1. The “**Earned Income**” school of thought
2. The “**Social Innovation**” school of thought

One conception rooted in the EU context

3. The “**EMES approach**”

A. The “Earned Income” school of thought

- First, focus on **earned-income strategies for NPOs**:
Commercial Non-Profit approach (CNP)
- Later, **any kind of undertaking**: not only NPOs, also for-profit companies, public sector entities reshaped by such an entrepreneurial endeavor toward a social aim
Mission-Driven Business approach (MDB)
- *Social Business* may be seen in this school: “ a self-financed, non-loss, non-dividend company designed to address a social objective” (Yunus)

Hidden key issues in the Earned Income Schools

- Which proportion of earned income as a minimum threshold ?
- What about profits ? : from prohibited (CNP) to unlimited distribution (MDB)
- In the latter case, how to insure primacy of the social mission?

B . The “ Social Innovation” school of thought

In line with Ashoka’s promotion of the “ *entrepreneur for the public*” since 1980, Dees (1998) stresses social innovation processes undertaken by social entrepreneurs.

- **Systemic nature** of innovation
- Emphasis on **outcomes rather than on incomes**
- Celebration of “**heroic**” individuals

Hidden key issues in the Social Innovation School:

- Many social enterprises are **not innovative**
- What about **collective dynamics** of social entrepreneurship?

C. The EMES approach of social enterprise

- **An economic project**
 - Continuous production with some paid work
 - Economic risk (mix of resources)
 - At least some paid jobs
- **Primacy of social aim**
 - Explicit aim to benefit the community
 - Limited profit distribution
 - Initiative of civil society members or organizations
- **A participatory governance**
 - High degree of autonomy
 - Stakeholders' involvement
 - Decision-making power not based on capital ownership

The EMES definition as an “ideal-type” SE

- 3 categories (economic, social and governance) of 3 indicators
- The **nine indicators are not conditions** to be strictly met to deserve the label of social enterprise
- They rather define an « ideal-type » (abstract construction) that enables **to position oneself** within the « galaxy » of social enterprises

 A **methodological tool** rather than a normative framework

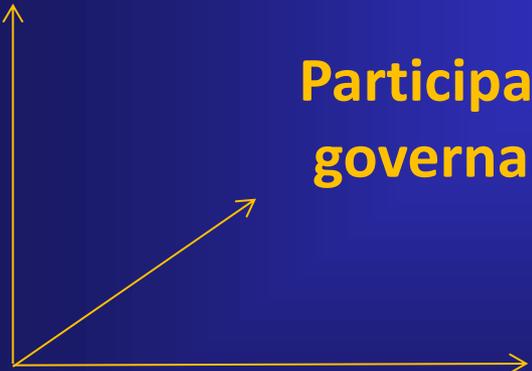


Pole Star

Social mission

Participatory governance

Economic sustainability



3. Comparing SE models worldwide: The ICSEM Project

- Kick-off meeting in Liege (July 2013)
- About **50 countries** covered
- More than **200 researchers** involved (among which 5 from Israel, forming one of the best teams)
- Regional and Global meetings (next in Helsinki)
- **ICSEM Local Talks** in Seoul (SK), Gdansk (Poland), Switzerland, Santiago de Chile, Rishon Le'Zion (Israel) .

ICSEM 1st phase (2012-2015)

In each country:

- A. Understanding concepts and contexts
- B. Typology of social enterprise models
- C. Institutional trajectories of SE models

Towards 40-50 ICSEM Working Papers
and various publication projects

SE Models	Dynamics
A. Trading NPO	NPOs looking for earned income through sales of goods or services (related or not to their social mission), sometimes through an affiliate
B. Social Business	(Large) FPOs looking for innovative CSR strategies by setting up a self-financed SB serving poor people (often in partnership with a NGO)
C. Social Cooperative	Collective self-employment and innovative responses to non-members' unmet needs based on the cooperative tradition
D. Individual Social Entrepreneur	Ashoka-type entrepreneurs creating a SME which provides goods or services for the public good, generally involving social innovation
E. State-controlled Social Enterprise	SE providing social and personal services on quasi-markets regulated by State's contracting-out policies

4. Which development paths for SE ?

- ◆ SE as a simple tool of public policies
→ risk of losing autonomy
- ◆ SE as organizations fully dependent from external funding (ex: meeting requirements of EU funds as a first goal) → risk of isomorphism
- ◆ Search for financial independence through sole market incomes
→ risk of subordinating initial social goals to market constraints (creaming out effect)

KEY CHALLENGE:

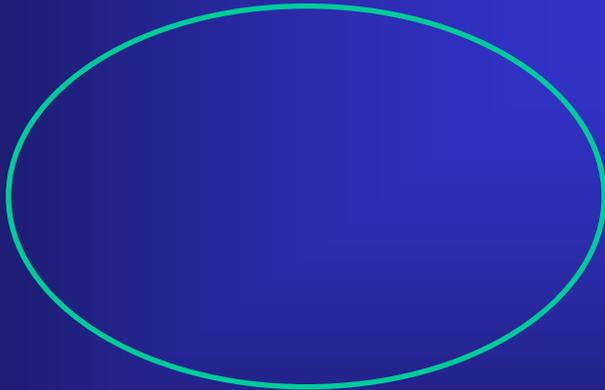
Balancing economic viability & social objectives

- By preserving a **significant degree of autonomy**
 - through an autonomous governance structure &
 - diversified resources
- By promoting **federative bodies**
 - which can advocate for the specificities of SE &
 - organize various types of support (technical support, marketing => Economies of scale (ex. Italian consorzi) &
 - promote scaling up of social innovation

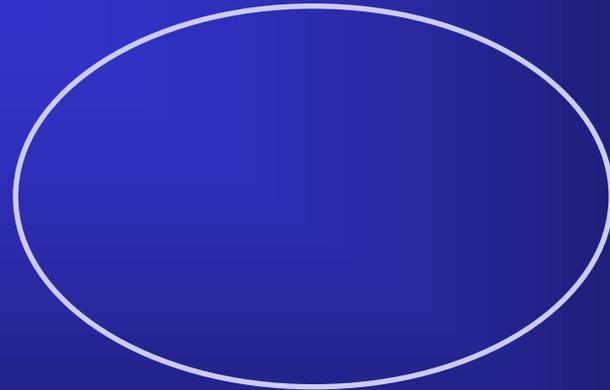
Social enterprises in the whole social economy

A. THE SOCIAL ENTERPRISE AS A BRIDGE BETWEEN THE ASSOCIATIVE (NPOs) AND THE CO-OPERATIVE WORLDS

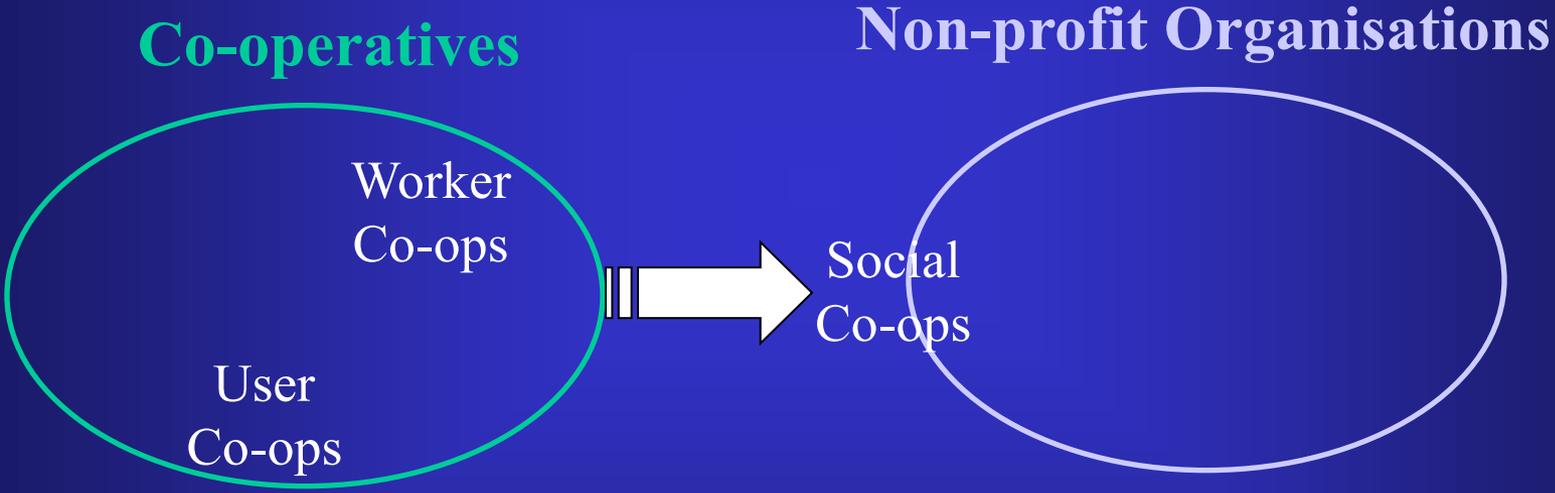
Co-operatives



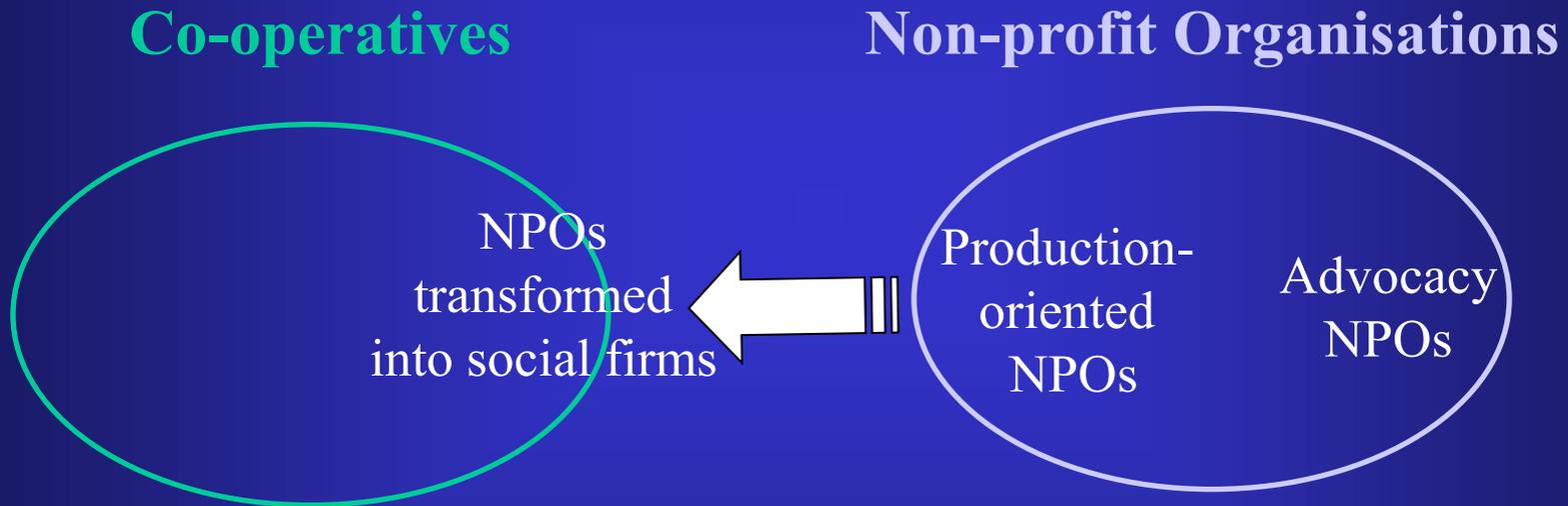
Non-profit Organisations



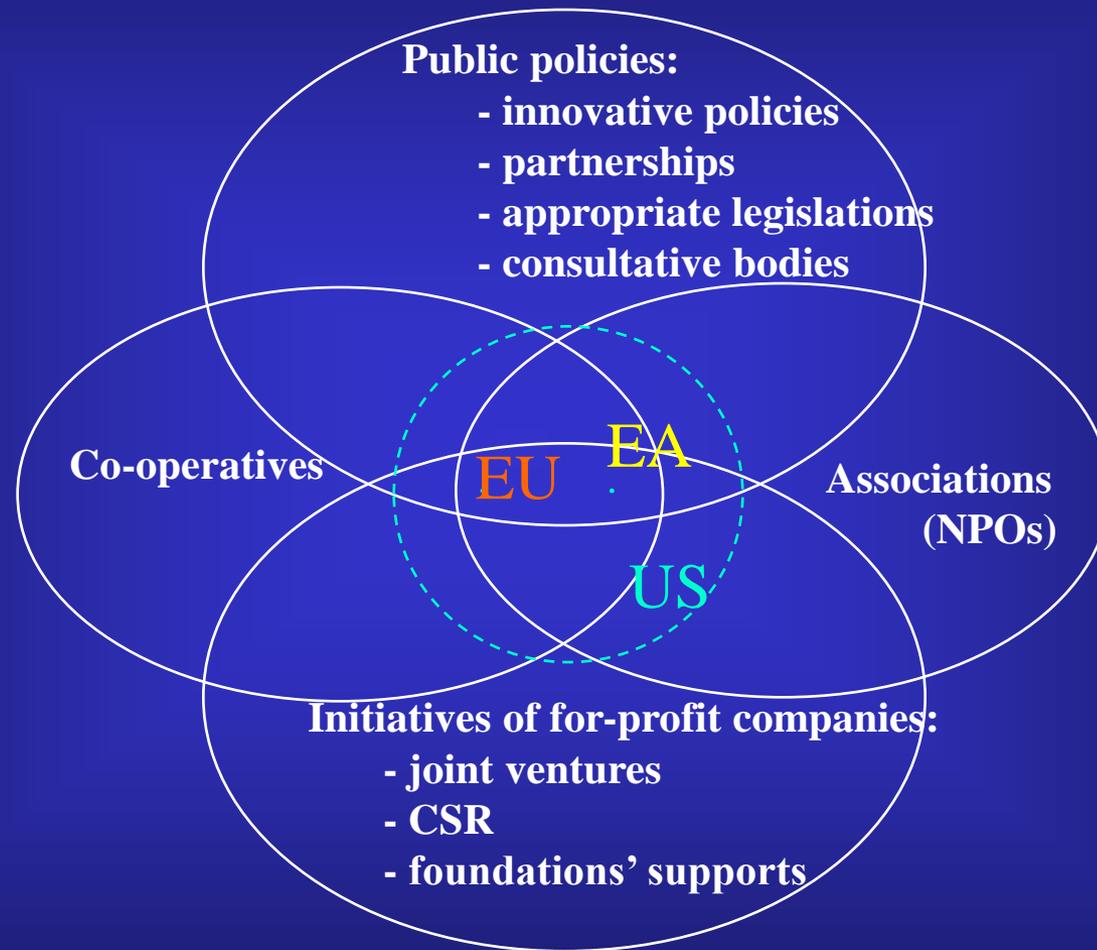
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A hypothesis to be discussed for Israël



5. CONCLUSIONS

- The experience shows that **pluralism and the diversity of expressions are essential in many areas** (politics, culture, philosophies, environment, etc.)
- In the economy:
 - Major risks of domination by schools of thought just fostering virtues of free markets and behaviours motivated by the only pursuit of profit
 - **Major need to revitalize economic pluralism** in order to feed real debates on globalization

CONCLUSIONS (2)

- The social enterprise concept/practice brings in new entrepreneurial inspirations, new ideas, **new development paths, new ways to balance social aims & economic viability**
- Along with the social economy, social enterprises are major vehicles for ensuring or reinforcing **economic pluralism** at fundamental levels
 - at the level of **economic activity's goals** (mutual interest, public interest, common good...)
 - at the level of the **stakeholders' rights** (limits to rights linked to capital ownership, multi-stakeholders' governance...)
 - at the level of **the types of resources** mobilized for production (market-based resources, public subsidies, donations, vol

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Thank you for your attention

Purposes/Logics
of action
generating
SE Models

