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Latin American Social Enterprise Models in a Worldwide Perspective

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INTRODUCTION

The last two or three decades have witnessed a high number of conceptual attempts to define social enterprise (SE). It is rather easy today to identify the criteria or distinctive features that were most debated in such conceptual discussions: the primacy of social aims (Nicholls 2006); the search for market income in non-profit organisations, as developed by Skloot (1983) as early as the 1980s, and then more widely in “mission-driven business” (Austin *et al.* 2006); the specific profile and role of individual social entrepreneurs as described by Dees (1998); the place of innovation, from the Schumpeterian works of Young (1983) through those of Mulgan (2007) on social innovation; and the issue of governance, for a sustainable balance between economic and social objectives, as highlighted by the EMES International Research Network (Defourny and Borzaga 2001).

The concept of social enterprise as such is not widely used in Latin America, even though it has been used in some circles like the Social Enterprise Knowledge Network (SEKN).¹ When defining social enterprises, Berger and Blugerman (2010), who belong to this network, in their chapter on “social enterprises and inclusive businesses” (*empresas sociales y negocios inclusivos*), consider both non-profit organisations and cooperatives as social enterprises, as they define social enterprises as “private (and formal) organisations that employ market strategies to obtain financial resources, in order to achieve social value for [their] members and/or for groups or communities and which are legally chartered as non-profit or cooperative organisations” (Márquez *et al.* 2010: 97). With respect to the various conceptions of social enterprise in the academic literature, we are here quite close to the “earned-income” school of thought, which defines the field of social enterprises as encompassing all organisations that trade for a social purpose (Defourny and Nyssens 2010). Over the last years, as new networks have started to embrace the concept in Latin America, it has most often been used along the lines of this “earned-income” school of thought or, in other—less frequent—cases, for very specific types of SE, like in Argentina, where the term “social enterprise” is only used to refer to a particular type of initiatives, which aim at the work integration of people with disabilities and mental-health problems (see chapter 1 in this book). The various “country chapters” of this book show how other concepts, beside that of social enterprise, such as the “social and solidarity economy”, the “popular economy”, the “community economy” or the “cooperative economy”, are widely rooted in Latin American contexts.

We adopt here the generic concept of social enterprise as defined by the “International Comparative Social Enterprise Models (ICSEM) Project”, which encompasses a wide spectrum of organisations that combine an entrepreneurial dynamic to provide services or goods with the primacy of their social aims. As explained in the introduction of this book, this concept has been used in the ICSEM Project as a heuristic tool, with a view to better understanding this type of organisations. Indeed, most researchers today seem to acknowledge the impossibility of a

unified definition of social enterprise. A main challenge in this field of research has then become to grasp the diversity of SE types. In such a perspective, many empirical descriptive studies have been carried out in the last decade. Some of them consisted in thorough “case studies”, through which various aspects of such diversity could be analysed and even theorised.² Beyond such specific issues, however, the comparative analysis of SE types or models still lacks strongly integrated theoretical foundations and, even more, empirical surveys that would allow statistically testing typologies of SE models—all the more so at the international level, as empirical relevance should be sought in this case beyond national borders.

This chapter aims precisely at addressing the lack of a typology of SE models that would combine three key strengths: (1) it would be rooted in sound theoretical grounds, allowing for a wide diversity of SE models within each country and across countries; (2) it would be supported by strong empirical evidence, provided by statistical exploitation of the data resulting from a survey carried out in the same way in many countries; and (3) it would highlight the specificities of Latin America in a worldwide perspective.

In such a threefold ambitious perspective, we first propose—while acknowledging the gaps that characterise existing SE classifications—a theoretical framework to identify a few major SE models, relying on two building blocks: on the one hand, “principles of interest”, as key driving forces at work in various parts of the economy and as matrices from which social enterprise dynamics can emerge; and on the other hand, “resource mixes”, as a central dimension of social enterprise, acknowledged by many authors. We then describe the key dimensions to be captured and the methodological choices that were at the heart of a unique survey carried out in 2015 and 2016 on 721 social enterprises in some 40 countries across the world, in the framework of the ICSEM Project (see the introductory chapter of the present volume), and we present statistical work that was carried out on the basis of this dataset—in particular, a hierarchical cluster analysis. Thirdly, we discuss the empirical results obtained, comparing the results at the world level with those obtained at the Latin American level which, as will be shown, provide strong support to our international typology of SE models. Finally, we provide some concluding remarks.

1. THEORISING THE DIVERSITY OF SE MODELS

What is at stake with SE typologies is not just a wide, although simplified, view of the various types or models of social enterprise; nor is it a “struggle” against too much diversity. It is first and foremost a question of uncovering and acknowledging the fact that today, a wide range of entrepreneurial initiatives, generally private and primarily driven by social aims, actually address social or societal challenges.

Although relying on the sole observation of cases in the US context, Dees argued, as soon as in the late 1990s, that the level of market reliance should be seen as the most relevant criterion to build a classification of SE types. For him, social enterprises can be presented along a single-dimensional continuum between two extremes, corresponding respectively to a “purely philanthropic” pole and a “purely commercial” one (Dees 1996, 1998). However, Dees does not just refer to the market in terms of incomes from sales. Instead, he actually develops market principles (and philanthropic principles at the other extreme) in terms of motives, methods and goals, and he argues that most social enterprises combine commercial and philanthropic elements in a productive balance. The major strength of Dees’ social enterprise spectrum is that his many sources of variations pave the way for an infinite number of operational SE models. It is therefore not surprising that many authors do refer to this spectrum (Peattie and Morley 2008), to adapted versions of the latter (Nicholls 2006) or to a critical analysis of it (Seanor and Meaton 2007; Young and Lecy 2014). The other side of the coin is that such multiple variations

along a single continuous axis do not really help to define groups or categories of social enterprises. From the point of view of Dees' spectrum, all social enterprises can be seen as "intermediate organisations" and they may all be labelled as "hybrids" (Doherty *et al.* 2014).

Beside some attempts carried out before the early 2010s,³ only few authors had made attempts, more recently, to delimit, describe and analyse the whole (or a great deal of the) SE field. At the national level, these efforts had mainly taken place in countries that had experienced specific and strong public or private strategies promoting social enterprise and social entrepreneurship. The best example is provided by the United Kingdom, which combines strong third-sector traditions (with mutual and cooperative organisations and charities) with brand new developments in the last fifteen years in terms of SE promotion by public authorities and various other bodies. In such context, Spear *et al.* (2009) identified four types of social enterprise in the United Kingdom, according to their origins and development paths: mutual societies, formed to meet the needs of a particular group of members through trading activities; trading charities, which develop commercial activities to fulfil their primary mission or as a secondary activity to raise funds; public-sector spin-offs, which have taken over the operation of services previously provided by the state; and new social enterprises, set up as new businesses by social entrepreneurs. Much more recently, relying mainly on the US SE landscape, Young *et al.* (2016) proposed the metaphor of a "social enterprise zoo", in which different types of animals seek different things, behave differently and may (or may not) interact with one another in both competitive and complementary ways... just like social enterprises, which combine social and market goals in substantially different ways. In the Latin American context, some recent studies were carried out at the national level, like in Brazil, where Gaiger (2013) mapped the solidarity economy, based on data from the National Mapping of the Solidarity Economy, or in Chile, where Gatica Montero (2017), on the basis of a few case studies, highlighted different models of social enterprises (associative, cooperative and business-type SEs).

But when it comes to international comparative works, most of them were hitherto based on conceptualisations and/or policy frameworks shaped by specific national or regional contexts. For instance, Kerlin (2006) and Defourny and Nyssens (2010) mainly focused on comparisons of conceptual approaches of social enterprise in Europe and the United States. At a broad macro level, Kerlin (2013, 2015, 2017) adopted an institutional perspective, developing a macro-institutional framework and identifying key features of macro, meso and micro institutions in various countries to suggest how any set of cultural, socio-economic and regulatory institutions tends to shape a specific major SE model per country (or sub-region). But although appealing from a theoretical point of view, Kerlin's approach did not provide foundations to theorise the diversity of SE types within individual countries (or regions).

1.1. Three "principles of interest" as a cornerstone

Considering that social enterprises are often seen as belonging to the "third sector" or are somehow related to the latter (Defourny 2014), we chose to build our analysis upon some of the strongest theoretical frameworks focusing on the very identity of non-profit organisations or the third sector, such as those proposed by Hansmann (1996) and Gui (1991). More precisely, in a seminal contribution on the economic rationale of the third sector, Gui (1991) theorised the co-existence of mutual-benefit organisations and public-benefit organisations within the third sector. In any type of organisation, he first identifies a "dominant category", formed by those who have the residual decision-making power, especially as to the allocation of the "residual income" (profit), and a "beneficiary category", formed by those to whom the residual income is, explicitly or implicitly,⁴ distributed. The "residual" character means that these rights are not assigned by contract to other stakeholders than the owners (Hansmann 1996).

To theorise the very nature of third-sector organisations, Gui (1991) states that, in these organisations, unlike what is typically the case in conventional capitalist firms, the allocation of the residual income is not in the hands of investors.⁵ Among non-capitalist organisations, he defines the third sector as composed of two major types of entities, i.e. “mutual-benefit organisations” and “public-benefit organisations”. “Mutual-benefit organisations” are those in which the dominant category and the beneficiary category are the same group of stakeholders, provided of course the latter are not investors; these stakeholders may be the organisation’s workers or the organisation’s users (consumers, suppliers, savers, and so on). Concretely, the mutual interest pursued here refers to services or goods provided to members under their own control.⁶ In other words, mutual-benefit organisations include all traditional types of mutual and cooperative organisations (consumer cooperatives, worker cooperatives, producer cooperatives, savings and credit cooperatives) as well as voluntary associations driven by the interest of their members (such as sport clubs, professional associations, etc.). The second major component of the third sector, namely “public-benefit organisations”, corresponds to those organisations in which the beneficiary category is different from the dominant category: they are voluntary organisations oriented to serving other people (beneficiaries) than their members, who control the organisation; more generally, they include all philanthropic and charitable organisations.⁷

The above developments lead us to consider three distinct major drivers or “principles of interest” that can be found in the overall economy: the general interest (GI), the mutual interest (MI) and the capital interest (CI), which we derive directly from the ownership types theorised by Gui. We propose to represent them as the vertices of a triangle in which mixes of principles can also be represented along the sides (see figure 11.1).

Before trying to locate the various SE profiles or types on our graph, let us note that all associations (voluntary organisations) seeking the interest of their members (Gui’s mutual benefit) are located in the “mutual-interest” angle—as are all traditional cooperatives. By contrast, associations (voluntary organisations, charities...) seeking a public benefit (as the term is referred to by Gui) are located much closer to the general-interest angle, although not in the vertex itself, as their general interest (the community they serve) is usually not as wide (general) as the one served by the state. On the right-hand side of the triangle, shareholder companies mainly seeking capital interest sometimes develop CSR strategies through which they tend to express a concern for some issues of general interest, though without calling their main profit motive into question. This may be represented as a limited move upward along this side of the triangle.

The lower side of the figure represents a continuum between the cooperative treatment of profits and the capitalist stance on profits. In a cooperative, the search for profit is instrumental to the productive activity and profits are therefore only distributed as dividends with a cap and/or put into collective reserves with an asset lock; by contrast, distributing profit and increasing the value of their shares are the main goals of shareholding companies. In the case of large listed companies, investors may even consider production activities as instrumental to their quest for the highest short-term returns. By contrast, although capitalist as well, many small and medium-sized enterprises, especially family businesses, may balance in a different way the search for profits and non-financial goals (Zellweger *et al.* 2013).

1.2. Market reliance and the resource mix as central issues

A good deal of the literature and discourses on social enterprise underline a significant move towards market activities as a distinctive feature of social enterprise. When it comes to identifying operating social enterprises, many observers look at the proportion of market

income and might require that at least 50% of resources come from market sales, like in various surveys carried out in the United Kingdom.

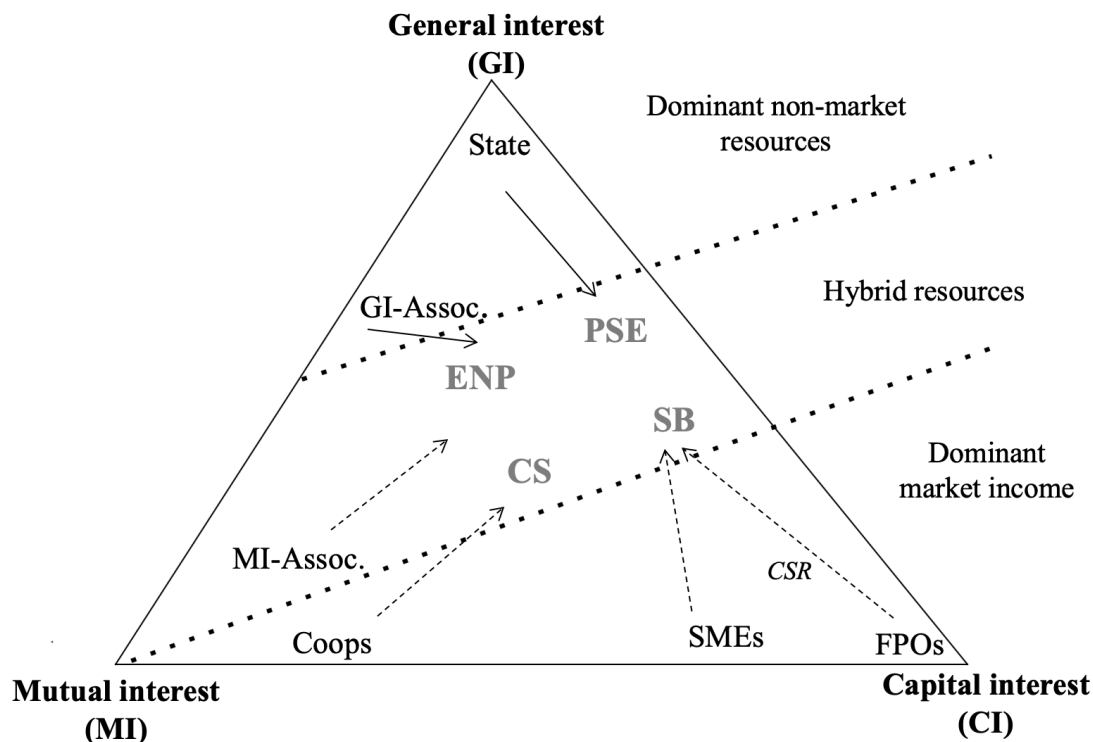
We have shown elsewhere (Defourny and Nyssens 2010) that such a stance is often far from the field reality in many countries, and that it is not shared by all schools of thought. However, we fully acknowledge the fact that the degree of market reliance is a major issue in the debate and we certainly do not want to avoid it.

Therefore, we have drawn two dotted lines across our triangle to take into account the various combinations of resource types (market income, public grants, philanthropic resources), establishing a distinction between situations in which market income dominates, those in which non-market resources (public funding, voluntary resources) dominate, and those in which a resource mix (hybrid resources) is preferred with a view to better balancing the social mission and the financial sustainability (see figure 11.1). It should be noted that the lower dotted line also divides the “mutual interest” angle: cooperatives are enterprises operating mainly on the market and they appear below the line, as do all enterprises earning all or the bulk of their income from the market; on the contrary, mutual-interest associations, like sport clubs or other voluntary organisations in the field of leisure, generally rely on a mix of market resources (member fees, sales at a bar or cafeteria) and other resources, such as volunteering and public contributions in the form of sport infrastructures and other indoor or outdoor facilities.

1.3. Institutional trajectories generating SE models

On the basis of our triangle, we represented how various “institutional trajectories” in the whole economy may generate SE models (Defourny and Nyssens 2017).

Figure 11.1. Institutional trajectories and resulting SE models



Source: Defourny and Nyssens (2017).

As shown in figure 11.1, SE models (in grey) emerge from six traditional models through two distinct institutional trajectories:

(1) The first type of logic generating social enterprises can be observed among non-profit or public organisations experiencing a *downward move towards marketisation* (solid-line arrows):

- **The entrepreneurial non-profit (ENP) model** gathers all non-profit organisations, most often general-interest associations (GI-Assoc.), that are developing any type of earned-income activities in support of their social mission.
- The **public-sector social-enterprise (PSE) model** results from a movement towards the marketisation of public services which embraces “public-sector spin-offs”. These SEs are usually launched by local public bodies, sometimes in partnership with third-sector organisations, to provide services which are outsourced (such as care services) or new services (such as those offered by work-integration social enterprises—WISEs).

(2) The second type of logic corresponds to an upward move of conventional cooperatives and mutual-interest associations *towards a stronger general-interest orientation* (dotted arrows), and such a move may also be observed through some advanced CSR initiatives launched by the traditional business world:

- **The social-cooperative (SC)⁸ model** differs from traditional mutual-interest organisations—i.e. cooperatives (Coops) and mutual-interest associations (MI-Assoc.)—in that it combines the pursuit of its members’ interests (mutual interest) with the pursuit of the interests of the whole community or of a specific group targeted by the social mission (general interest).
- **The social-business (SB) model** is rooted in a business model driven by shareholders’ (capital) interest, but social businesses mix this logic with a “social entrepreneurial” drive aimed at the creation of a “blended value”, in an effort to balance and better integrate economic and social purposes.

At first sight, when looking at figure 11.1, the four SE models seem to arise from new dynamics at work in pre-existing organisations. Thus, it may seem that social enterprises cannot be created from scratch. Such an interpretation is clearly misleading as a new (social) enterprise can emerge everywhere in the triangle; its location will depend on its general-interest orientation, and on the way in which the organisation balances social and economic objectives and various types of financial resources.

As suggested above, our typology of SE models is based on some key dimensions, to which we referred as “fundamentals” in Defourny and Nyssens (2017). We do not pretend that it covers all possible SE cases; especially, we are aware of the many types of hybridity and joint ventures that can be observed on the field. However, partnerships can sometimes be related to one of our four models, when a dominant partner can be identified or when the chosen legal status drives partners towards one of the models.

2. DATA AND METHOD

2.1. The unique ICSEM survey and database

In the second phase of the ICSEM Project (see the introductory chapter of the present volume), in order to address the lack of reliable datasets at enterprise level to undertake international comparative analyses, in-depth information was collected about social enterprises on the basis of a common questionnaire. More precisely, ICSEM research partners interviewed the

managers of three to five social enterprises⁹ that were deemed emblematic of each SE type identified in each country having taken part in the project's first phase.

The questionnaire resulted from several rounds of discussion within the "ICSEM research community"; the goal was to design a questionnaire that would be meaningful and relevant in all world regions.¹⁰ Thanks to the researchers' efforts, detailed data were collected in a rather homogenous way for 721 social enterprises from 43 countries (see table 11.1). Needless to say, such a sample is by no way representative of the SE population across the world. Not only is the distribution across continents particularly uneven, with a quasi-absence of Africa; more fundamentally, the whole SE population is simply unknown, as there is no universal definition of social enterprise. In a few countries where a SE definition does exist, for instance through a law promoting social enterprise, such definition does not generally enable an uncontested mapping and statistical analysis, because such legal approach is often deemed too large or too narrow.

Table 11.1. Number of countries and social enterprises covered by the ICSEM survey

	Number of countries	Number of SEs
Europe	19	328
Asia	9	100
Latin America	7	162
Argentina		12
Bolivia		4
Brazil		31
Chili		23
Ecuador		20
Mexico		40
Peru		29
USA, Canada, Australia and New Zealand	4	45
Middle East (Israel and United Arab Emirates)	2	31
Africa (Rwanda and South Africa)	2	55
Total	43	721

These limitations do not prevent us from arguing that our overall research strategy, which combines a theoretical typology and a quite demanding bottom-up empirical approach, constitutes a major step toward capturing the diversity of SE models. The next step indeed was to exploit the dataset built through the ICSEM survey in order to see whether it provides any empirical support to the above typology of SE models, both at the global level and for Latin America.

2.2. A hierarchical cluster analysis to identify major SE categories

For the purpose of carrying out a cluster analysis, we extracted quantitative and qualitative (nominal and ordinal) variables from the questionnaire. The ultimate goal was to describe each of the 721 SEs along five major dimensions: (1) general identity (legal form, origin, accreditations); (2) social mission (mission's nature, relation with the SE's main economic activity, price of the goods and services provided, type of innovation); (3) workforce composition (workers and volunteers); (4) financial structure in general and, more precisely, ways in which the SE combines various types of resources; and (5) governance structure and rules regarding the allocation of profits/surplus. Multiple choices and combinations of several choices were possible for many questions, and we defined 141 variables.

Before undertaking a hierarchical cluster analysis (HCA), we had to solve two main issues. First, our database included both quantitative and qualitative variables, while HCA cannot be performed on qualitative variables. Secondly, we wanted each of the five pre-determined dimensions to have the same weight, which was not the case since some dimensions were composed by a higher number of variables than others.

In order to overcome these problems, we therefore performed a multiple factorial analysis (MFA) on the 141 defined variables. The goal of MFA is to synthesise the initial information, to the largest possible extent, through a minimum number of factors. We chose to use MFA because it made it possible to simultaneously take into account qualitative and quantitative variables, structured in pre-determined groups (our five dimensions). The number of selected factors is the number of factors needed to explain at least 50% of the total variance. Factors are therefore sequentially selected, according to the part of variance they explain. As far as we are concerned, we selected six factors. Using MFA thus solved our two problems: first, it gave the same importance to each of the five pre-determined dimensions; secondly, it enabled us to describe each SE through quantitative indicators only (the SE coordinates on each factor).

As a last step, through a hierarchical cluster analysis based on Ward's aggregation method,¹¹ we classified SEs into different groups that started with each SE being considered as a separate cluster. This means that there were, in this first step, as many groups as there were SEs; the analysis then aggregated the most similar clusters sequentially, thereby reducing, at each step, the number of clusters, until only one group was left.

3. FINDINGS

Our data allowed us to perform a multiple factorial analysis, followed by a cluster analysis, both at the global level, with all 721 observations (Defourny *et al.* 2019), and, for the purpose of this book, at the level of Latin America, with 162 observations (table 11.1).

At the worldwide level, three of our four theoretical SE models were strongly supported by the empirical analysis: the entrepreneurial non-profit model, the social-cooperative model and the social-business model (Defourny *et al.* 2019). These three models clearly emerged from the examination of the seven clusters resulting from the hierarchical cluster analysis that was carried out on the basis of the full ICSEM sample. Also worth noting is the fact that these three models were found in 39 out of the 43 countries analysed at the global level.

Four clusters are converging toward an entrepreneurial non-profit SE model: two of them gather work-integration social enterprises (WISEs), whereas the other two clusters cover a wider spectrum of social missions. The social-cooperative model¹² embraces two clusters: in the first one, organisations produce a wide diversity of goods and services, which are meant to serve a variety of social objectives; the second cooperative cluster mainly gathers SEs in the field of microfinance. The social-business model is clearly identified through a cluster which gathers small- and medium-sized businesses that combine a very strong business orientation and a social mission.

Table 11.2. Main features of Latin American SE clusters

SE models	Social-business (SB) model	Social-cooperative (SC) model		Entrepreneurial non-profit (ENP) model
Dominant type in the cluster (cluster no.)	Small and medium-sized SB (1)	Worker-cooperative SE (2)	Cooperative microfinance SE (3)	Entrepreneurial non-profit (4)
No. of observations (share of the sample)	31 (20%)	71 (53%)	13 (8%)	44 (19%)
Legal form	Mainly sole proprietorship/Ltd companies (51%) Some NPOs (13%)	Mainly cooperatives (63%) Some NPOs (18%) Other legal forms	Mainly cooperatives (69%) Mutuals (8%) Other legal forms	Mainly NPOs (90%)
Goods and services provided	Various	Mainly manufactured goods	Financial and insurance services (100%)	Professional, scientific and technical activities (30%) Education (28%) Health and social-work activities (16%)
<u>Social mission</u>	Various social missions	Various social missions linked to community development	Access to financial services	Various social missions linked to community development
Mission-centric, mission-related or mission-unrelated economic activity	Mission-centric (68%) or mission-related (32%)	Mission-centric (92%)	Mission-centric (67%) or mission-related (54%)	Mission-centric (77%)
<u>Economic models</u>	Dominant market resources			Hybrid
	Market: 81% Investment income: 4% Subsidies: 5%	Market: 76% Subsidies: 11% Membership fees: 10%	Market: 91% Investment income: 6%	Market: 32 % Subsidies: 16% Philanthropy: 40% Membership fees: 7%
Prices applied for the main economic activity and % of SEs applying them	Market price (42%)	Market price (66%)	Market price (39%) or below (39%)	Free of charge (57%) Market price (16%) Below (20%)
<u>Governance model</u>	Independent or capitalist	Democratic		
Origin	One person (42%), a group of inhabitants/citizens (32%)	Mainly workers (49%), a group of inhabitants/citizens (34%)	Citizens (31%), TSOs (31%), individuals (31%)	Mainly citizens (48%), TSOs (14%), one person (27%)
Ultimate decision-making power	One person (39%) or a board composed mainly by managers, workers or investors	GA/board (composed mainly by workers)	GA/board (composed mainly by users, investors, managers)	GA/board (composed by either workers, volunteers, managers or by a mix of these types)
Rules limiting profit distribution	No (81%)	Yes (59%)	Yes (69%)	Yes (64%)
Actual practice regarding profit distribution	Reinvestment (87%)	Reinvestment (63%), distributed to owners (26%) or workers (30%)	Reinvestment (69%)	Reinvestment (69%)
If the SE terminates, net assets go to...	Undetermined (45%)	Members (45%)	Members (44%) Shareholders (31%)	Another SE or NPO (55%)
Paid employees (median)	5	15	69	9
Volunteers (median)	0	0	0	1

The same statistical treatment was performed for the Latin American sample, thereby allowing to identify clusters and then SE models in this region and to compare them to those described at the worldwide level. On the basis of our Latin American sample, we first identified seven clusters; adding a supplementary cluster did not lead to a significant decrease in intra-cluster variances.¹³ Three clusters mainly gathered non-profit organisations; three clusters were dominated by cooperatives; and one cluster was composed mainly by commercial companies. A closer analysis of the features characterising the different clusters within a dominant legal type led us to merge some clusters, when the distinctive traits were not sufficiently important to support an SE model as such. We thus finally decided to keep four clusters: two cooperative-type clusters, an NPO-type cluster and a commercial-type cluster.

3.1. Two clusters indicating the existence of a cooperative-type SE model

At the level of Latin America, as just said, four clusters were identified. A first major result is that the cooperative is the dominant legal form in two clusters (clusters 2 and 3), which gather 71 and 13 organisations respectively (see table 11.2). And whereas, at the worldwide level, the cooperative-type clusters gather 24% of organisations in the whole sample, this share reaches 61% when considering only Latin American countries.¹⁴ The cooperative-type clusters thus clearly dominate the Latin American SE landscape. This is a strong feature, which invites us to look at these two clusters as clearly signalling the existence of a “cooperative-type” SE model.

All the organisations in cluster 3 provide financial and insurance services, mainly under the legal form of cooperative or mutual society, the latter being very close to the cooperative form. This is why we label this cluster “cooperative microfinance SEs”, like we did at the international level. Access to financial services has always been a major concern for poor populations and a central issue for an important component of the cooperative movement. Many of these cooperative initiatives were launched well before the “microfinance movement” arrived at the forefront of the public agenda and they are now fully part of it. Results show that these SEs are set up by groups of citizens, third-sector organisations or individuals. In these organisations, the general assembly (GA) holds the ultimate decision-making power. Not surprisingly, users, investors and managers are the stakeholders most often represented in the GAs. These SEs draw almost all their resources from the market (91% from the sales of financial services, especially microfinance, to the users and 6% from investment income). This cluster is very similar to the one emerging at the worldwide level.

Organisations in the other cooperative cluster (cluster 2, by far the largest) produce mainly manufactured goods. Practically all these organisations’ productive activities are meant to foster local development: they aim to create jobs, empower poor people, pursue community development, address ecological issues, etc. The social mission and economic activities are clearly interwoven: more than 90% of the organisations making up this cluster perform economic activities that are “mission-centric”, according to Alter’s influential classification (2007). These organisations rely mainly on market income (which represents, on average, 75% of their total income). The remaining resources are almost equally divided between public grants and membership fees (which are a typical resource for cooperatives).

Most of the SEs belonging to cluster 2 have been launched by workers and citizens, and workers are clearly the dominant group of stakeholders in these SEs’ governance: they sit on the board of 70% of these organisations, sometimes alongside some managers but in only a few cases with other stakeholders. These organisations’ governance structures display the typical features of cooperatives, with the presence of a GA and a board. Owners do not perceive themselves as

shareholders but as members whose main interest most often lies in the creation and sustainability of their jobs. The GA holds the ultimate decision-making power in 83% of organisations.

Regarding the allocation of profits in this cluster, most of them are reinvested in the SE and, when they are distributed, it is among the members (who are, most of the time, the SE's workers). Profits are sometimes equally divided between the members; in other cases, they are returned to the members through rebates proportionate to their transactions with the SE (and not according to their number of shares). One quarter of enterprises do not have predetermined rules about the distribution of net assets in case the activity is terminated, but when such rules exist, they impose that the net assets be shared among the members. The dominant legal form in this cluster is the cooperative (63% of organisations), but 18% operate under the legal form of NPO, which is not surprising: since these SEs do not distribute any profit and are democratically managed, the non-profit legal form also appears as an adequate legal vehicle.

To what extent is it possible to consider the organisations belonging to this cluster as different from conventional cooperatives, in a way which might justify their positioning closer to what we have labelled as the "social-cooperative" model in the above triangle (figure 11.1)? These organisations are clearly mutual-interest organisations, as workers are the dominant category and the beneficiary category at the same time. The pursued mutual interest here refers to the jobs provided to members under their own control. But the workers, who appear to be the main type of stakeholders, are generally poor people, living at the margins of the society,¹⁵ and they are trying to create their own jobs. Therefore, members' mutual interest includes a true social mission from at least three points of view: first, providing workers with a job, and making it stable through these workers' control; secondly, improving members' income and living conditions as well as those of their families; thirdly, in many of these worker-managed initiatives, pursuing a broader goal of empowerment of the poor and economic democracy in the workplace. These worker-cooperative-type organisations have been identified by ICSEM local researchers in their respective countries as "social enterprises".¹⁶

Coherently, when comparing the worldwide cooperative cluster with this Latin American worker-cooperative cluster, we observe that, in the latter, workers are more present, while other types of stakeholders are less present. These Latin American organisations are also smaller: the median size of the paid workforce is 15 workers, compared to 128 at the world level. Most of these Latin American cooperatives are single-stakeholder social enterprises. By contrast, social cooperatives at the worldwide level which also integrate disadvantaged workers into the labour market more frequently bring together different types of stakeholders in their governing bodies. Indeed, a stronger emphasis on general interest among social cooperatives than in traditional cooperatives could lead to governance structures involving other stakeholders than members looking for their mutual interest. In the case of Latin America, these cooperatives are managed by persons excluded from the labour market and motivated by a dynamic of mutual aid, based on self-help principles, with a view to generating income and improving their own living conditions. This is why these SEs are often single-stakeholder social enterprises and may be qualified as "worker-cooperative-type SEs". However, most of these SEs belong to networks which gather a diversity of actors (social enterprises, NGOs supporting these SEs and sometimes members of public bodies). A multiple-stakeholder nature is therefore observed at the level of second-tier organisations. In turn, these networks are embedded in strong social movements which, as explained in the different chapters, are often shaped by social and political objectives and driven by a quest for an alternative to capitalism.

This analysis leads us to conclude that cooperative values are the crucible from which an important share of Latin American SEs emerge. These cooperative-type models (worker cooperatives and microfinance cooperatives) are strongly driven by community-development goals embedded in broader societal values. In the next section, and with a view to pursuing our goal of documenting the diversity of SE models, we will analyse some of the above features to highlight convergences and divergences between a “cooperative-type” SE model and a “social-business” model.

3.2. One cluster indicating the existence of a social-business model

Comparing the main features of cluster 1 to those of the “worker-cooperative type” (cluster 2), two quite different SE profiles seem to appear.

While “worker-cooperative-type” SEs are set up by a group of citizens or workers, social businesses are more often initiated by one person only (in 42% of cases, while it is only the case for one single SE in cluster 2). However, groups of citizens can also be associated to the launch of the SE (this is the case in 32% of social businesses). These enterprises often adopt the legal form of a limited company or sole proprietorship (51%); in some cases, they register as an NPO (13%).

In 45% of these organisations, there is no GA and no board, and the ultimate decision-making power rests with the owner(s) in 39% of organisations. In cases where these three conditions are met, the ownership and management type can be qualified as “independent”. When there is a board, it is composed either of managers, investors or workers, or it includes a mix of these stakeholders. When managers and investors are the dominant stakeholders, the governance might be described as “capital-interest-oriented”. This of course contrasts with the “worker-cooperative-type” cluster, whose organisations display democratic governance structures, with a board and a GA composed of their members, most often their workers. Regarding rules and provisions related to profit distribution, it is striking to note that, in 81% of organisations in cluster 1, there is no rule limiting profit distribution. This is not to say, however, that all or most of the profits are usually distributed to owners: the most common practice (which is observed in 87% of organisations in this cluster) is to reinvest at least part of the profits in the social enterprise.

As far as activities and mission are concerned, the economic activity in cluster 1 is more often “mission-related” (32% of organisations) than that of cooperative-type SEs (where a mission-related activity is an exception), which means that they deliver, more often than organisations in the worker-cooperative-type cluster, goods or services to a wider population than the group targeted by the social mission. Another important feature of this cluster is that the median size of the paid workforce is five workers—the lowest figure among the four clusters. This feature is consistent with the already observed key role of an individual entrepreneur as the founder, main owner and dominant decision-maker. These SEs draw the bulk of their resources from the market (81%, and even 85% if income from investment is included).

On the basis of these various features, this cluster indicates the existence of a “social-business” model, generating blended value.¹⁷ This cluster is also very similar to the corresponding cluster emerging at the worldwide level, with a few variations: in the Latin American landscape, beside commercial companies, we also find NPOs (almost absent in the corresponding cluster at the international level), and organisations are even smaller here than in the corresponding world-level cluster.

As this combination of economic and social goals is implemented within less regulated frameworks than those defined by governance rules and structures in “cooperative-type” SEs, the balance between these potentially conflicting goals and its evolution over time raise the question of the social mission’s sustainability. For instance, 45% of these SEs have no predetermined rule about the distribution of net assets in case the activity is terminated. In such context, it seems critical to observe enterprises’ actual practices more in depth: To what extent do social and/or environmental dimensions actually dominate the profit motive? Are they just mere instruments to better serve the financial interests of the owner(s)? More generally, under which conditions can a social-value-generating economic activity be considered as an expression of social entrepreneurship? Some of these businesses in Latin America adopted the private certification of “B Corporation” (or “B Corp”) for environmental and social performance in for-profit firms. This certification does not impose any asset lock nor any cap on the rates of return on investment. It is interesting to contrast this fact with several new legal forms for social enterprise that have been implemented in Europe and reduce the rights of members/shareholders by limiting the distribution of profits in one way or another (Fici 2015). In some Latin America countries (Argentina, Chile, Colombia, Peru), bills are being drafted with the purpose of establishing new legal frameworks for these for-profit organisations that integrate the generation of social and/or environmental benefits in their purpose, but without including any kind of rule regarding profit distribution.

3.3. One cluster converging toward an entrepreneurial non-profit SE model

The dominant legal form in the last cluster (cluster 4) is the non-profit organisation (90% of organisations in the cluster). These organisations have been launched, in most cases, by a group of citizens, sometimes in partnership with another third-sector organisation. Either the board or the GA holds the ultimate decision-making power, and this body is composed by volunteers, workers and managers. Services provided by organisations in this cluster are mainly “mission-centric”. These organisations are small (the median size of the paid workforce is nine workers) and they are active in the fields of professional services, education and health and social-work activities, which are at the core of their social mission. They cover a wide spectrum of social missions.

The organisations belonging to this cluster display a much wider diversity of resources than what is found in the two cooperative-type and the social-business clusters, with only 32% of income coming from the market. The provision of at least some services free of charge or at a price not covering most production costs is a widespread practice among these organisations. In such cases, the organisation also receives donations (40% on the average) and public subsidies or grants (16%) when public authorities consider that the production contributes significantly to the public good.

Such resource mix could be seen as somehow surprising since a usual—although superficial—approach to social enterprise sees it as “a market solution to a social problem”. Moreover, when it comes to identifying operating social enterprises at the field level, for some observers, as already mentioned, the proportion of earned income (and more precisely the requirement that at least 50% of resources come from market sales) constitutes the main indicator. For many other scholars, however, among which those belonging to the EMES school of thought (Defourny and Nyssens 2010), the entrepreneurial dimension of social enterprise lies, at least partly, in the fact that the initiative bears a significant level of economic risk, but not necessarily a market risk. This means that the social enterprise’s financial viability often constitutes a

continuous challenge, and that it depends on the efforts of the members to secure adequate resources to support the enterprise's social mission. This does not involve any requirement that such financial sustainability should be mainly based on market income. In this broader perspective, the resource mix which can best support the social mission is likely to have a hybrid character, as it may combine trading activities with public subsidies and voluntary resources (donations, volunteering...).

From an extensive review of literature, Maier *et al.* (2016) identify several dynamics which can characterise “NPOs becoming business-like”. Not only can NPOs adopt business-like goals (such as commercialisation or/and conversion from an NPO to a for-profit legal form); they can also adopt business-like core and support processes (entrepreneurial orientation, professionalisation, business-like philanthropy...) or develop business-like rhetoric. It is thus not surprising that many NPOs have been identified as social enterprises by local researchers, even though they have far less than 50% of earned income. This cluster may therefore be seen as indicating the existence of a broad “entrepreneurial non-profit” SE model.

At the worldwide level, two major sub-groups have been identified within the “entrepreneurial non-profit” SE model: one strongly focusing on work integration and another displaying a diversity of other social missions. The first one is not observed in the Latin American sample. In fact, Latin American organisations that are mainly driven by a mission of employment generation are located in the “worker-cooperative-type” cluster (which, incidentally, also includes NPOs); this tends to indicate that the work-integration movement appears to be mostly driven by the excluded workers themselves in this region. To put it another way, in Latin America, the excluded workers are usually involved in the governance of work-integration SEs, which makes these SEs closer to the cooperative DNA than to the non-profit one. It is also interesting to highlight that public subsidies are lower, on average, in the Latin American non-profit cluster (where they represent around 15% of the organisations' resources) than in entrepreneurial NPOs at the world level (where this figure is around 25%). On the contrary, philanthropic resources are much more important in the non-profit Latin American cluster than in its world-level counterpart. These two differences can probably, at least to some extent, be accounted for by the fact that part of the philanthropic resources of Latin American non-profit SEs are coming from grants allocated through international cooperation channels, which may include both donations and some public resources (not counted in the above 15%).¹⁸

CONCLUSION

The objective of this chapter was to test, in the Latin American context, the international typology of SE models that we had put forward (see figure 11.1), and to compare the results for this region with those obtained at the worldwide level (Defourny *et al.* 2019).

Our main finding is that three of our four models are strongly supported by the empirical analysis, as it was also the case at the worldwide level: the existence of a cooperative-type SE model, a social-business model and an entrepreneurial non-profit model is fully confirmed at the Latin American level, as these models clearly emerge from the examination of four clusters resulting from a hierarchical cluster analysis. So, although SEs are influenced by institutional factors at the macro level (which may contribute to shaping some of their organisational features), these results also show that social enterprises stem from all parts of the economy and can be related to different organisational backgrounds—namely, the non-profit, cooperative and traditional business sectors. The three models rooted in these organisational backgrounds have been observed in five of the seven countries surveyed. Not all three models have been observed

in the two remaining countries (Argentina and Bolivia), but this is likely due to the small size of the sample in these countries.¹⁹

The analysis of collected data also suggests the existence of some specific Latin American features.

First, it is striking that the cooperative type—and especially worker cooperatives—constitutes the dominant form of SE in Latin America. Workers are the core of these rather small organisations; their goal is to create their own job and to improve their living conditions. As analysed in various chapters of this book, some Latin American cooperatives have experienced strong isomorphic pressures, which led them, in some cases, to become more similar to capital-interest-driven organisations. As a result hereof, the cooperative legacy sometimes conveys an ambiguous image (see also chapter 9 in this book). However, the importance of this cluster leads us to acknowledge the strong worker-cooperative DNA that characterises the SE field in Latin America. In some way, these worker cooperatives reconnect with the initial roots and values of the cooperative movement.

Secondly, Latin American SEs—be they cooperatives, non-profit organisations or social businesses—are much smaller than their world-level counterparts. This finding echoes the results found by the Latin American SE research network SEKN, which show that, most of the time, social enterprises take the form of “SMEs and small civil-society organisations which are agile and open to the internalisation of innovations needed to conduct an inclusive business, particularly in regard to collaborative work” (Comini *et al.* 2012: 390).

Thirdly, the existence of the public or semi-public SE model put forward in our theoretical typology does not appear to be confirmed at the level of Latin America. At the international level, the sample also includes public or semi-public SEs, even though their existence does not appear to be statistically confirmed by the identification of a distinct cluster as such. In fact, at the global level, some SEs involve a governmental agency among their founding members, especially in the field of WISEs. A possible interpretation is that, although they do actively support social enterprises, most public authorities prefer to act as partners—rather than as the main entrepreneur—in the creation and management of WISEs. At the Latin American level, however, we do not observe such an involvement of public authorities in the governance of SEs. It also appears that the resource mix of Latin American SEs includes much fewer public resources than the resource mix of their counterparts at worldwide level. These features reflect the weakness of state support to the SE field—and, more generally, to the common good—in Latin America.

In the absence of a widely accepted and common definition of social enterprise, we argue that our strategy enabled us to take into account and provide legitimacy to locally embedded approaches, thus resulting in an analysis encompassing a huge diversity of SE. Our data underline the need to go beyond a conception that would view social enterprises simply as “intermediate organisations”, if we are to better grasp the diversity of SE landscapes. The identification of major SE models helps to delineate the field on common grounds in Latin America and at the international level. Of course, such an analysis needs to be complemented with qualitative work, so as to gain a deeper understanding of the various models as well as their specificities in each national context. Such qualitative analysis can be found in the national chapters of this book.

To conclude, we would like to adopt a broad societal perspective. We tend to consider as good news the fact that social enterprises actually do stem from all parts of the economy. Societies are facing so many and so complex challenges at all levels, from the local to the global level, that we see the diversity of SE models and their internal variety as a sign of a broadly shared willingness to develop appropriate—even though they are still sometimes embryonic—responses to these challenges, on the basis of innovative economic/business models driven by a social mission. In spite of their weaknesses, social enterprises may be seen as advocates for and vehicles of the general interest across the whole economy. Of course, we cannot avoid the debate about privatisation, deregulation and globalised market competition—all factors that may hinder efforts in the search for the common good. We just note that social enterprises reveal or confirm an overall trend towards new ways of sharing the responsibility for the common good in today's economies and societies.

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¹ This network brings together representatives from leading schools of business administration in Latin America (see <http://www.sekn.org/en/publication-en/>).

² See for example case studies carried out by the SEKN network.

³ For instance, Alter (2007) also focuses on the place and role of market logics to put forward a typology based on mission orientation, the nature of target markets and the degree of integration of business activities in social programmes.

⁴ For example, through the improvement of the service delivered. In an NPO, the beneficiary category is formed by the group of stakeholders at the heart of the social mission.

⁵ Investors are those who hold shares and are mainly or exclusively interested in the overall return on this capital ownership. Extending such a rationale, an individual owner may also be seen as an investor holding both types of rights.

⁶ In such case, members consider the production activity as the very *raison d'être* of the organisation. This is also true for members of cooperatives: although they generally buy one or some capital shares to become members, they are not primarily interested in the return on such capital (which is incidentally quite limited in several ways).

⁷ In such a perspective, all public (state) organisations and institutions are also typically public-benefit entities, but they form the public sector, not the third sector, as the dominant category is formed by public bodies and not by private entities.

⁸ The social cooperative concept made its first appearance in the very early 1990s in Europe to qualify new cooperative-like initiatives that were emerging to respond to unmet social needs through the development of economic activities. In some Latin American countries, the “social cooperative” notion has a much narrower meaning, as it designates WISEs targeting mentally disabled persons.

⁹ In a few countries, like in Bolivia, this number was smaller for various reasons; in particular, it was difficult to collect quantitative data on some organisations located in a “grey zone” between informality and formality.

¹⁰ The first version of the questionnaire was submitted to all research partners, discussed, tested and revised in an interactive process before finally reaching a level of quality acknowledged by all involved partners. It was then translated into local languages.

¹¹ The basic algorithm is very simple. First, using Ward’s method and applying squared Euclidean Distance, distances are calculated between all initial clusters. Secondly, the two most similar clusters are merged and distances are recalculated. The criterion for merging is that it should produce the smallest possible increase in the sum of intra-cluster variance. Then the second step is repeated until all units are grouped in one cluster.

¹² In spite of the narrow meaning of the “social cooperative” notion in Latin America (see note 8), we continue to use it here in its broader meaning, so as to have a coherent conceptual basis to compare SE models in this region and at the world level.

¹³ The optimal number of clusters (n) corresponds to the number of clusters for which the sum of intra-cluster variances does not decrease significantly when $n+1$ clusters are considered.

¹⁴ From a methodological point of view, an important remark should be underlined: when comparing clusters that emerge from the Latin America sample and those identified on the basis of the global sample, some results may look quite similar, but they should not hide significant differences. For instance, two cooperative-type clusters come out of both the worldwide and the Latin American samples. However, when comparing the “weight” of Latin American cooperative-type SEs at the regional level and at the worldwide level, different pictures appear. At the worldwide level, Latin American SEs belonging to the cooperative-type clusters only represent 37% of Latin American SEs, while the same kind of analysis performed on the sole Latin American sample shows that the cooperative-type clusters cover 61% of the sample. In order words, considering data at the level of Latin America leads to highlight, even more strongly, the importance of cooperative-type SEs in the region. This results from the very nature of statistical methods computing “distances” between observations among and within clusters at all stages of aggregation. Such aggregation process of course generates clusters with different “contents” when carried out on two different samples, with 721 and 162 observations respectively.

¹⁵ This may also be underlined for cooperative-type SEs operating in microfinance (cluster 3).

¹⁶ A perfect fit between the patterns identified by Gaiger and Wanderley (see chapter 9 in this book) and our models cannot be operated as such, as patterns and models are based on different methodologies. In some countries, like Bolivia, there are only a few quantitative observations, which do not cover all the patterns. However, this cluster displays several characteristics shared by some of the patterns: self-managed class-related organisations, traditional social-economy organisations and, to a lesser extent, ethnic and community-based organisations and organisations based on the popular economy.

¹⁷ This cluster appears close to the pattern of “social-purpose organisations oriented by market logic” identified by Gaiger and Wanderley in chapter 9.

¹⁸ According to the classification suggested by Gaiger and Wanderley in chapter 9, it can probably be argued that most of these organisations stem from the philanthropic pattern or are “organisations for socio-economic inclusion”.

¹⁹ Argentina and Bolivia have the smallest number of SEs surveyed (table 11.1). In Bolivia, only four social enterprises were included in the survey, and they were all of the cooperative type.