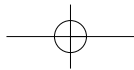
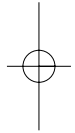
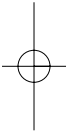
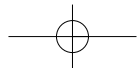
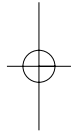
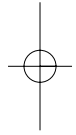


Part I

The governance of social enterprise





2 Work integration social enterprises

Are they multiple-goal and multi-stakeholder organisations?

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Learning objectives

The objective of this chapter is to analyse the multi-stakeholder and multiple-goal structures of social enterprises on the basis of the data collected on 160 WISEs. After reading this chapter, the reader should:

- understand the theoretical frameworks supporting the ‘multiple-goal, multi-stakeholder’ social enterprise ideal-type;
- grasp the extent to which empirical evidence confirms this ideal-type;
- identify further lines of empirical analyses to understand the dynamics of stakeholders.

Introduction

A multi-stakeholder character and a multiple-goal nature are claimed to be important aspects of social enterprises as they were previously analysed by the EMES European Research Network (Borzaga and Defourny 2001). However, although these features have been underlined by various authors in theoretical terms, empirical evidence of their existence is still rather limited. This chapter, therefore, aims to take a step forward by conducting a deeper analysis of multi-stakeholder and multiple-goal characters in work integration social enterprises (WISEs) across Europe.

In the following pages, we first consider the multiple-goal aspect, providing some theoretical elements that are useful in interpreting its origins and its differentiating potential. Theories are then tested against the data collected during the PERSE project. The second section starts with a brief overview of the economic and organisational literature on multi-stakeholder topics; it also presents the approach we chose and the data we collected to check whether or not WISEs are multi-stakeholder enterprises. The third section examines the reasons that could explain the

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involvement of various categories of stakeholder in the ownership structure and the decision-making process of such organisations.

1 The multiple-goal nature of WISEs

1.1 Theoretical insights

Third sector literature often stresses, explicitly or implicitly, the fact that non-profit organisations (NPOs) are more likely and better able to combine several objectives than traditional for-profit firms which, in neo-classical economic theory, are generally supposed to have one single major goal, i.e. profit maximisation, dominating all other possible achievements (Weisbrod 1988; Ben-Ner and Van Hoomissen 1991; Hansmann 1996, among many others). In their attempt to provide 'building blocks' for a socio-economic theory of social enterprises, Laville and Nyssens (2001) went further by suggesting that such a combination of different goals is embedded in the very nature of social enterprises as conceptualised by the EMES European Network. In their view, social enterprises pursue at least three different categories of goal:

- *Social goals*, connected to the particular mission of social enterprises, i.e. to benefit the community. This 'general' goal can be expressed as a number of more specific ones, such as meeting the social needs of a particular category of citizens (socially excluded people, families with children or elders to look after, immigrants, people with specific health problems, etc.) or improving life quality in deprived areas.
- *Economic goals*, connected to the entrepreneurial nature of social enterprises: ensuring the provision of specific goods or services, achieving financial sustainability in the medium/long run, efficiency, effectiveness, competitive advantage etc.
- *Socio-political (civic) goals*, connected to the fact that social enterprises come from a 'sector' traditionally involved in socio-political action: proposing and promoting a new model of economic development; promoting the democratisation of decision-making processes in economic spheres; promoting the inclusion of marginalised parts of the population etc.

It should be noticed that although these categories of goal may seem clearly separated in some cases, in other cases the boundaries are rather blurred. For example, when the production activity deals with services that are clearly of public interest (as in the case of recycling activities, environmental services, elderly care etc.), social and economic goals cannot easily be separated one from the other.

A difference between traditional third sector organisations and social enterprises lies in the fact that the multiple-goal nature of the latter has

an intrinsic character. In traditional third sector organisations, the co-existence of various categories of goals is not so clearly marked: in most traditional associations, the commercial dimension and the commitment to economic goals are usually significantly lower than in social enterprises, whereas traditional co-operatives do not generally pursue the general interest in the same way as social enterprises do (Borzaga and Santuari 2003).

When social enterprises are engaged in the occupational and social integration of disadvantaged people, as is the case for those analysed here, the simultaneous presence of different goals is expected to be particularly evident, since these enterprises are supposed to combine goals of the training and work integration of disadvantaged people, the production of goods and services (whether of public or private interest), as well as the promotion of more socially inclusive and labour-intensive economic development (Evers 2001).

If we now look at the managerial literature on organisational goals, things appear much less clear. As early as in the late 1930s, for example, Barnard (1938) showed that, from an organisational point of view, the for-profit or non-profit nature was not a good indicator of organisational diversity since each organisation – independently of the distribution of profits – could be seen as a ‘co-operative system’ within which the entrance and permanence of actors was due to the balance between incentives and contributions they exchanged with the system. In other words, all individuals in an organisation have personal goals that need to be satisfied through the pursuit of the organisational mission, thus determining the need for the organisation to take into account such a diversity of individual objectives to guarantee its survival. Such a line of thought has been particularly elaborated by authors such as Freeman (1984) who developed the idea that organisations have various stakeholders, whose ‘stakes’ have to be considered by managers in developing organisational processes. Others, such as Mintzberg (1983), have also stressed the existence, within all organisations, of a system of social and economic goals.

Many other authors, especially those linked to the ‘new institutional economics’, underline the interpretative poverty of the simple profit-maximisation objective in analysing modern enterprises, which are increasingly compelled by market dynamics to take into account stakeholders’ specific needs (Milgrom and Roberts 1992).

Finally, from an operational perspective, it can be noted that increasing numbers of traditional enterprises claim concern for goals other than pure economic ones. In this way, ‘corporate social responsibility’ (CSR) practices are put forward to demonstrate enterprises’ commitment to attend not only to economic goals but also to the social and environmental needs of stakeholders and the community.

This brief literature overview suggests that social objectives are not unusual in traditional for-profit enterprises or, in other words, that the border separating traditional enterprises from social enterprises is not a

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clear-cut one. Nevertheless, the economic objectives of social enterprises are expected to focus on the production of goods and services per se, as responses to addressed needs – or, in the specific case of WISEs, as a means to achieve the work integration of disadvantaged workers – and on financial sustainability rather than on profit maximisation and financial return. As a corollary, social objectives are supposed to be incorporated at the very core of social enterprises' goals, whereas they appear as more 'peripheral' in for-profit enterprises.

1.2 Empirical evidence

The existence of a multiple-goal structure was analysed in the PERSE project, by asking managers of the 158 WISEs that formed the sample to indicate the goals pursued by their organisation. More precisely, interviewees were asked to identify such goals within three categories of objectives defined on the basis of some previous EMES work referring specifically to WISEs (Evers 2001): occupational and social integration of the workers; production of goods and services; and advocacy and lobbying. A fourth category was also available to allow for any other kinds of goal.

At this first level, the 'multiple-goal' hypothesis finds a very strong support: 154 organisations out of 158 were considered by their manager to have at least two objectives.¹ More precisely, 97 per cent of the organisations in the sample pursue an objective of occupational and social integration as well as an objective of production of goods or services, and nearly 90 per cent also mentioned an advocacy and lobbying objective. Only 10 per cent of the WISEs surveyed declared that they had goals they classified in the 'other' category: community renewal through solidarity and self-help, environmental protection, innovation in the provision of social services, promotion of entrepreneurial behaviour within the community etc.

Of course, it was necessary to go beyond such a superficial view, and especially to look at the *relative importance* the interviewees gave to the various categories of goals. This was done from two different perspectives. First, managers were requested to rank the categories of goal, from one to four in order of decreasing importance.

As shown in Table 2.1, the results suggest a quite clear order of importance: the social and occupational integration of disadvantaged workers is considered as the most important objective by 77 per cent of the WISEs surveyed, the production of goods and services is cited as the second most important goal by 55 per cent and advocacy and lobbying as the third objective by 69 per cent.

Second, the respective weights of the various goals were computed to take into account information such as the fact that the production objective, although second in most cases, comes first for 30 per cent of WISEs.

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Table 2.1 Goal ranking in European WISEs (%)

<i>Goal</i>	<i>Rank 1</i>	<i>Rank 2</i>	<i>Rank 3</i>	<i>Rank 4</i>	<i>Total</i>
Occupational and social integration	77	18	5	0	100
Production	30	55	15	0	100
Advocacy and lobbying	5	19	69	7	100
Other	25	19	25	31	100

Table 2.2 The respective weights of goals within European WISEs* (%)

	<i>Occupational and social integration</i>	<i>Production</i>	<i>Advocacy and lobbying</i>	<i>Other</i>	<i>Total</i>
Belgium	39	36	20	4	100
Denmark	43	28	28	1	100
Finland	34	39	24	3	100
France	43	34	23	0	100
Germany	43	30	27	1	100
Ireland	34	42	21	3	100
Italy	46	38	15	2	100
Portugal	47	35	18	0	100
Spain	43	32	20	4	100
Sweden	44	32	16	8	100
United Kingdom	35	39	23	3	100
European average	41	35	21	3	100

* The number of organisations which declared that they pursued the goal was weighted by the value of the rank attributed to the goal (values being respectively 4, 3, 2 and 1 for ranks 1, 2, 3 and 4). The results were then converted into percentages of the total.

The results of such calculations, as presented in Table 2.2, show that the respective weights of the two major categories of goal come closer: on average, at the European level, their weights are then 41 per cent for the occupational and social integration objective and 35 per cent for the production goal, while the advocacy and lobbying objective matters for 22 per cent (significantly more than the 'other' category, which weighs only 3 per cent).² This picture is confirmed by the analysis at the national level: these weights stay within the same range and never go beyond 47 per cent for a single goal when they are calculated within each national sample of WISEs.

However, such a strict ranking still does not provide any information about the distance between objectives nor about the relations between the different goals. It is why the survey tried to fine-tune the results by focusing

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on the way WISEs balance their production goal and their work integration objective.³

Answers here reveal that 50 per cent of managers consider both objectives as equally important while 34 per cent see the production activity as subordinated to the work integration goal. This latter situation is particularly true for a majority of WISEs in countries such as Denmark, Germany or France, where most public subsidies they receive seem clearly linked to active labour market policies and/or to specific profiles of disadvantaged unemployed persons. However, in some cases where the work integration goal prevailed at first, a tendency to better balance both objectives was observed as WISEs were increasingly pushed towards the private market. Such a trend is clearly identified in Italy (see Chapter 5 of this book).

On the other hand, the production goal may be expected to be particularly important when WISEs produce public or quasi-public goods or services, for instance within contracts with local or regional public authorities. As a matter of fact, a subgroup of WISEs insist on the fact that their core mission is to participate in local development, especially in disadvantaged communities, by delivering a range of goods and services and that, *in this process*, they create training and employment opportunities for marginalised groups in the local labour market. Therefore, for this kind of social enterprise, the mission of 'integration of disadvantaged workers through a productive activity', while important, remains in the background of their mission. This is the case, for example, for local development initiatives in Ireland (O'Hara and O'Shaughnessy 2004) or community businesses in the UK (Aiken and Spear 2005). However, on the basis of the data collected during the PERSE project, it was not possible to find any significant correlation between the relative importance of goals and the nature of the goods and services produced.

In spite of such diversity, all these results strongly confirm the hypothesis according to which a majority of European WISEs have a multiple-goal structure, characterised by quite an equal relevance of the two major objectives hypothesised as typical of this specific kind of social enterprise, namely the occupational and social integration of disadvantaged people and the production of goods and services.

Finally, when asked about the origin or source of their WISEs' goals, practically all managers referred to the original intentions of the founders, which appeared to be strongly related to community needs (82 per cent) and labour market problems (78 per cent).⁴ Such a frequent reference to the needs of the community as a source of the organisation's mission is certainly in line with the hypothesis put forward by Evers (2001), according to whom the multiple-goal structure of social enterprises is, above all, dominated by the intention to serve the community, this latter vocation itself being a key element of the EMES definition of social enterprise.

2 Are WISEs multi-stakeholder organisations?

2.1 A brief conceptual overview

The idea of the multi-stakeholder nature of organisations can be found in several parts of the literature on the third sector: it appears in the economic literature analysing the reasons for the existence of the third sector (Ben-Ner and Van Hoomissen 1991; Hansmann 1996; Krashinsky 1997), its evolution over time and its comparative advantage (Borzaga and Mittone 1997) and the specific characteristics of its organisations (Gui 1991; Pestoff 1995); it also appears in more managerial and organisational analyses, focusing on more practical aspects, such as stakeholders' participation in the decision-making processes, stakeholders' role in boards, outcomes of participation etc. (Middleton 1987; Cornforth 2003). As a matter of fact, various books have been published to provide social entrepreneurs with tools to develop initiatives and to deal with a diversity of stakeholders.⁵

What is a multi-stakeholder structure?

Nowadays, one of the most widely used definitions of stakeholders is the one by Freeman (1984), who stresses the need for management to be responsive to stakeholders, that is to 'any group or individual who can affect or is affected by the achievement of an organisation's purpose' since they have 'some inalienable rights to participate in decisions that substantially affect their welfare or involve their being used as a means to another's ends' (as quoted by Evan and Freeman 1993: 82).

As already stated by Thompson (1967), the existence of a multiplicity of subjects affected by the organisation's action and able to affect it, is typical of all organisations, in the perspective of open systems. Therefore, in such a broad perspective, all organisations might be considered as being multi-stakeholder. Moreover, as observed by Donaldson and Preston (1995), anyone looking into this large and evolving literature with a critical eye will observe that the concepts of stakeholder, stakeholder model, stakeholder management, and stakeholder theory are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments.

In the third sector literature, however, there is a quite clear idea about the innovation embedded in the multi-stakeholder approach: the innovation consists in the 'internalisation' of the stakeholders, i.e. the shift from a traditional view of stakeholders as external subjects (often generating costs for the organisation) to a new one which focuses on the participation of these subjects as internal components (Pestoff 1995). Various categories of stakeholder can easily be identified in third sector organisations, although they are not all necessarily 'internalised': workers, managers, volunteers, donors, consumers or users, public authorities, the local community, unions,

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other third sector organisations, private firms or any other category having specific interests or relations with the organisation.

Regarding the nature of stakeholders' involvement, various approaches may be found in the literature, but it seems useful here to point out two distinct perspectives:

- On the one hand, Pestoff (1995) stresses, above all, the involvement of stakeholders in the organisational decision-making process. The absence of reference to membership means that the multi-stakeholder feature is connected to the possibility for stakeholders to participate in the decision-making process, be it as formal members of the organisation or as subjects who are not necessarily members but are formally involved in the board.
- On the other hand, Borzaga and Mittone (1997) as well as Laville and Nyssens (2001) explicitly define the multi-stakeholder structure as a structure in which various stakeholders are supposed to be members and therefore co-owners of the organisation. In such a perspective, the membership-ownership structure is the key indicator to be analysed in order to identify the various categories of stakeholders.

How does a multi-stakeholder structure work?

According to the literature, the practical functioning of multi-stakeholder organisations depends on a variety of factors, first of all the categories of stakeholder involved in the decision-making processes (Jordan 1990), the nature of their stake, the intensity and duration of these stakes (Pestoff 1995) and the balance of incentives and contributions connected with their participation.

In analysing the concrete functioning of multi-stakeholder organisations, it seems important to consider the characteristics of participation arrangements (Helmig *et al.* 2004; Jordan 1990). Are the stakeholders involved in the decision-making process also members of the organisation? What are the rules of access to the decision-making process? What are the relative weight and influence of each category of stakeholder? Is the decision-making process democratic? What is the relative importance of formal and informal processes in decision-making participation?

Informal elements of participation seem to be particularly important in third sector organisations, where it is not unusual to find groups of members interacting outside meetings to discuss board business without the participation of stakeholders who, although formally involved in the decision-making process, are not part of the informal network 'governing' the organisation (Middleton 1987); and conversely, there might be people who take part in this informal network without being members and without being involved in the formal decision-making process.

2.2 Empirical evidence

Single- versus multi-stakeholder WISEs

For its empirical work, the PERSE project first adopted the approach put forward by Borzaga and Mittone (1997), according to whom the multi-stakeholder nature of a social enterprise is connected with its membership and ownership structure. With this idea in mind, managers of all 158 European WISEs were asked to characterise the membership-ownership structure of their organisation. Although it was not easy to make the notion of 'stakeholders' understood exactly in the same way by all interviewees, the emphasis was clearly put on the existence, or not, of different categories of stakeholders among members/owners. Answers to this first question indicate that a majority of European WISEs (58 per cent) are seen as multi-stakeholder structures while 42 per cent are characterised as single-stakeholder organisations. As shown in the first column of Table 2.3, WISEs in the second group are particularly numerous in two countries: in Portugal, all WISEs in the sample have a single stakeholder, which is generally a larger organisation that founded the WISE as a contribution to top-down public strategies against unemployment; these founding bodies may be private social solidarity institutions, *misericordias* linked to the Catholic Church, mutual benefit associations or co-operatives (Perista and Nogueira 2004); in Spain, the same explanation holds for foundations in the case of six WISEs, and a single-stakeholder category was also identified in three workers' co-operatives and three other initiatives launched by groups of citizens (Vidal and Claver 2004).

Table 2.3 Distribution of WISEs according to the number of stakeholder categories involved (%)

	<i>Single-stakeholder organisations</i>	<i>2 different categories</i>	<i>3 different categories</i>	<i>4 different categories</i>	<i>5 different categories</i>	<i>6 different categories</i>	<i>More than 6 different categories</i>
Belgium	0	67	13	13	7	0	0
Denmark	23	15	15	0	15	31	1
Finland	43	14	29	14	0	0	0
France	36	21	21	7	14	0	1
Germany	50	36	14	0	0	0	0
Ireland	17	25	17	33	8	0	0
Italy	20	53	20	7	0	0	0
Portugal	100	0	0	0	0	0	0
Spain	80	13	0	7	0	0	0
Sweden	40	13	27	7	7	6	0
United Kingdom	33	8	17	33	8	0	1
Total	42	25	15	10	5	3	0

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As far as WISEs' legal forms are concerned, 64 per cent of the WISEs surveyed proved to be co-operatives or associations, which is not surprising since social enterprises were defined from the outset as third sector organisations.⁶ In order to find out whether WISEs' legal forms constitute an indicator of their single- or multi-stakeholder nature, we cross-analysed the data on both variables. Remembering that co-operatives have a single-stakeholder tradition,⁷ and that even nowadays, their statutes often admit but do not usually impose the participation of the various stakeholders,⁸ we could have expected this legal form to be more frequently associated with the single-stakeholder character. However, analysis at the national level reveals that legal status constitutes a weak indicator of whether a WISE has a single- or multi-stakeholder nature: the choice of a multi-stakeholder status instead tends to depend on the autonomous decision of its founders (more generally, members/owners) within legal frameworks that often permit – explicitly or implicitly – but do not require the involvement of more than one category of stakeholders.⁹

Coming back now to the 58 per cent of WISEs described as multi-stakeholder organisations, it appeared that the diversity of legal forms and requirements across countries made an aggregate analysis of more precise features quite difficult, at least with the membership-ownership approach adopted so far. Therefore, we chose to go further with multi-stakeholder structures by looking at the composition of boards, and asked managers to identify categories of stakeholders within their board. In doing so, we in a way combined and balanced the two above-mentioned conceptual approaches to stakeholder involvement. The results, as shown in the remaining columns of Table 2.3, indicate that the number of stakeholder categories ranges from two to six, with an average of 3.1. Among interesting results, one can mention the fact that about half of Danish WISEs appear to have a very high number – five or six – of distinct categories of stakeholders. As a matter of fact, Chapter 3 of this book clearly explains that WISEs in Denmark often involve a large number of partners in their founding and development process.

The functioning of multi-stakeholder WISEs

The data collected during the PERSE project also allow us to analyse several aspects of the practical functioning of WISEs, especially those with a multi-stakeholder structure. First, as far as the rules governing the decision-making process are concerned, an overwhelming majority of multi-stakeholder WISEs (87 per cent) appear to have democratic decision-making processes, i.e. the 'one member, one vote' rule is applied in their governing bodies, including their general assembly. This suggests that the involvement of stakeholders leads to their having a real voting power – and not just a symbolic one – in the organisation. Such a statement, however, only refers to the formal level and, as already underlined, third

sector organisations can be characterised, probably more than other kinds of enterprises, by a high degree of informality, often affecting the decision-making processes as well. This means that a formal presence in democratic boards or assemblies might prove insufficient to participate in decisions taken outside the institutional bodies by the most influential persons or groups. This is why the PERSE research project also tried to collect information on the actual influence of stakeholders.

In order to do so, managers were asked to evaluate the impact, in the decision-making process, of each category of stakeholder represented in the board of their WISE.¹⁰ The number of board members belonging to each category was also taken as an indicator of its relative importance. Combining both sources of information, percentages were computed to reflect, although with clear limits, the actual influence of the various categories of stakeholder.

These results, as presented in Table 2.4, first suggest that staff and volunteers are the most influential groups (20 per cent and 21 per cent of the 'total influence' respectively) when WISEs from all countries are taken together, while private consumers and participants – i.e. workers in the integration process – are the weakest (5 per cent and 7 per cent respectively).¹¹ At the level of each country, the analysis also suggests the prevalence of one or two groups, but these may vary significantly:

- *volunteers* in France (38 per cent), Germany (25 per cent) and Spain (44 per cent);
- *staff* in Belgium (24 per cent), Finland (26 per cent), Italy (55 per cent) and Sweden (24 per cent);
- *participants* in Sweden (24 per cent);
- *business organisations* in the United Kingdom (25 per cent);
- *government representatives* in Denmark (25 per cent).

However, the most interesting result from Table 2.4 lies in the fact that in all countries but one (Italy), the actual power seems to be shared among several stakeholder categories, none of these being deemed to have an overwhelming influence on the boards.

Finally, it is also possible to investigate whether or not the influence of the various stakeholder categories is related to the type of decisions to be taken. Information collected from managers does not show significant changes in the estimated influence of each group when decisions refer to the production process, to the work integration mission or to advocacy and political matters.

To sum up, the results presented in this section tend to support two major ideas. First, the multi-stakeholder structure of WISEs is not just a theoretical characteristic of an 'ideal-type' of social enterprise: in the field of work integration, a majority of social enterprises as surveyed in our project seem to confirm such a feature, even though it is also clear that

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Table 2.4 Influence of stakeholder categories in multi-stakeholder WISEs* (%)

	<i>Users/ custo- mers</i>	<i>Volun- teers</i>	<i>Staff</i>	<i>Partici- pants</i>	<i>Busi- ness</i>	<i>Govern- ment</i>	<i>NPOs</i>	<i>Other**</i>	<i>Total</i>
Belgium	1	13	24	10	9	10	19	15	100
Denmark	9	7	17	7	13	25	18	5	100
Finland	0	6	26	21	10	10	15	13	100
France	10	36	10	3	10	10	13	10	100
Germany	0	25	12	18	10	18	18	0	100
Italy	4	29	55	1	3	0	1	6	100
Spain	0	44	28	0	4	0	15	9	100
Sweden	12	6	24	24	9	15	3	8	100
United Kingdom	3	13	4	0	25	19	19	17	100
EU (average)	5	20	21	7	10	13	14	10	100

* Portugal is not included in this analysis since all the organisations surveyed in this country were single-stakeholder (see Table 2.2).

** This category includes: private individuals (other than consumers), local community representatives, private financing bodies, experts etc.

a significant proportion of WISEs are better described as single-stakeholder organisations; this is, in particular, true of WISEs whose creation was due to a ‘mother’ structure, in a top-down strategy. Second, the existence of several stakeholder categories, when confirmed, is not only formally reflected in the composition of the boards, but also generally means a real sharing of voting power and actual influence among these categories.

3 Reasons for the existence of multi-stakeholder WISEs

The literature has put forward several possible reasons to account for the existence of multi-stakeholder organisations.¹² Rather than seeing them as hypotheses to be tested empirically here, we will review some of these theoretical views and just refer briefly to some of our data when feasible.

3.1 Ensuring organisational stability and resources

From an organisational perspective, some authors view the board as the institutional level whose task is to manage the interdependencies between the organisation and its environment; external parties are then involved in the decision-making process in order to ensure organisational stability. In other words, multi-stakeholder structures are an organisational answer to the needs of involvement of the social actors that are necessary for the birth and the survival of social enterprises.¹³ In this perspective, a multi-stakeholder board can (Middleton 1987):

- better ensure resources (including legitimacy) to the organisation through the participation of governmental bodies, donors and other subjects capable of delivering strategic resources;¹⁴
- accelerate the internal adjustments needed to meet evolving environmental demands, thanks to the involvement of clients and other third sector organisations;
- reduce external constraints by influencing external conditions to the advantage of the organisation, by internalising stakeholders such as governmental bodies (in charge of policy making), users and other third sector organisations (potential partners in lobbying projects).

As to the idea of better ensuring resources, we cross-analysed the results of the study of WISEs' resource mix (see Chapter 7 of this book) and those deriving from our analysis of boards' composition. Along with the five types of WISE defined on the basis of their resource mix, we identified, through hierarchical clustering (Ward algorithm), six different types of board according to the prevalent group(s) of stakeholders which might be seen in this context as major actors or channels for key resources.¹⁵ The analysis shows very little correlation between the resource mix of WISEs and the composition of their boards. However, such a statistical exercise does not allow us to discard the hypothesis according to which the presence within boards of specific categories of stakeholders constitutes a means of better ensuring the organisation's resources: just the presence of a stakeholder category in the board might be more important than its actual weight or prevalence for securing a specific type of resource.

The other two arguments refer to the boards' capacity to avoid threats to organisational stability, which could be improved by involving particular categories of stakeholder. These two points, however, do not really differ from the former argument when it comes to threats that are strongly related to the availability of resources. As far as other types of threat are concerned, there appear to be serious obstacles to translating such an idea into testable hypotheses: not only would the threats to be avoided not be easy to observe, but it would also probably be even harder to establish a clear relation of causality with the involvement of specific categories of stakeholder.

3.2 Multi-stakeholder structures as an instrument to manage the mix of goals

Extending to social enterprises a line of reasoning developed by Tirole (1994) for government institutions, Bacchiega and Borzaga (2001) note that the presence of multiple – potentially conflicting – objectives is more likely when control rights are shared among different categories of stakeholder. This, of course, is also true for non-profit organisations in general. In such a perspective, the multiplicity of organisational objectives and the

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involvement of a variety of stakeholders may be regarded as being tightly connected. Going a step further, Evers (2001) suggests that involving diverse stakeholder categories in the decision-making process is a valid instrument to manage the balance between multiple goals as well as to safeguard commitments to a set of goals of different types in the organisation; this balance would be unlikely to be achieved in a homogeneous board, composed of few categories of stakeholders, and where the degree to which diverse opinions are expressed is low (Middleton 1987).

One empirical way, among others, to look at this hypothesised relation between multiple-goal and multi-stakeholder features of social enterprises is to compare the goal structure of single-stakeholder and multi-stakeholder WISEs. Such a comparison is provided in Table 2.5 on the basis of the relative importance of goals in both types of WISEs. However, these results do not show any significant difference in the goal structures of single- and multi-stakeholder organisations.¹⁶

Apart from the limits of our empirical survey, such an absence of difference might be explained by the strength of what is shared by all stakeholder categories or by those that are most influential: while conflicting interests may be easily identified between shareholders, managers, workers, unions and other stakeholders in for-profit companies, social enterprises are often founded on the basis of a vision, a mission and values widely shared by the stakeholders involved. Constraints on the distribution of profits, which lead to their reinvestment for the achievement of the organisation's mission and thus reduce the range of possible uses of the residual income (Hansmann 1996), as well as democratic rules in the main controlling bodies, probably express and, at the same time, reinforce such a process

Table 2.5 Relative importance of goals in single-stakeholder and multi-stakeholder WISEs* (%)

<i>Multi- or single-stakeholder nature</i>	<i>Occupational and social integration</i>	<i>Production</i>	<i>Advocacy and lobbying</i>	<i>Other</i>	<i>Total</i>
Single-stakeholder WISEs	42.4	34.4	21.2	2.0	100
Multi-stakeholder WISEs	39.8	35.5	21.7	3.0	100
All WISEs (single-and multi-stakeholder)**	41.0	35.0	21.4	2.6	100

* The respective weights of the various goals have been calculated as explained in the note to Table 2.2.

** The results in the bottom line are the same as those presented in Table 2.2 but they have been calculated here as the weighted average of the results for single-stakeholder organisations and multi-stakeholder ones.

of convergence among stakeholders. Chapter 4 of this book, which analyses the functioning of French WISEs, supports this view: although practically two-thirds of WISEs surveyed in France were seen as multi-stakeholder organisations, this chapter underlines the importance of these common grounds and values among stakeholders from the founding of the organisation.

This, of course, should not be understood as meaning that conflicting interests do not exist in WISEs; for instance, customers' requirements as to the quality of goods or services and delivery times may well come in opposition to the workers' interests in terms of time needed for learning and acquiring technical skills. However, these two categories, which are the most likely to have conflicting goals, are most often weakly represented in boards, as shown in Table 2.4. And as far as the other stakeholder categories are concerned, it seems likely that they are more aware of the need to balance the two main goals of WISEs and to see them as intrinsically connected. In other words, board members may have been deemed to belong to different categories on the basis of their 'status' towards the WISE (customers, participants etc.); but such a perception may have hidden the fact that their actual stakes are not necessarily divergent and that in many cases they are very convergent.

In any case, the analysis of WISEs in our sample tends to demonstrate that single-stakeholder organisations and multi-stakeholder ones (which, as already mentioned, account respectively for 42 per cent and 58 per cent of the sample) in fact share many organisational features: they are similar in terms of legal status, goals and decision-making rules. Moreover, the multi-stakeholder character of more than half the WISEs surveyed does not seem to be connected to their multiple-goal character, which is in fact shared by those WISEs described as single-stakeholder organisations.

To go further, it would be necessary to collect and analyse data about the informal participation of stakeholders. This might be done in two directions at least. First, it would be interesting to conduct a deeper analysis of the real, actual influence of stakeholders in the decision-making processes. In this perspective, stakeholders' participation should be examined not only on the basis of managers' – as in this project – but also of other stakeholders' perceptions, in order to have a broader view as well as to analyse informal coalitions of members, circulation of information, emergence of leadership etc. A second path would lead outside the formal governing bodies in order to observe the informal ways and influences through which WISEs are related to the local community, customers, beneficiaries, public authorities, partners etc., without these formally participating in the board. This, of course, would be particularly crucial to better understand the governance and the behaviour of those WISEs described here as single-stakeholder organisations.

Finally, another way to test the existence of significant differences between single- and multi-stakeholder WISEs would be to compare their

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social and economic performance, i.e. the extent to which their goals are actually achieved. Indeed, indicators of performance would help to see whether organisations involving only one category of stakeholders in their board would be able to achieve a different level of performance from multi-stakeholder ones through continuous and informal contacts with interested parties (consumers, public bodies, other third sector organisations etc.) which are not formally part of the decision-making process.

3.3 Involvement of stakeholders as a result of a cost-benefit analysis

The participation of a category of stakeholders implies costs and benefits, both for the organisation and for the stakeholders considered. From an organisational perspective, it is thus possible to consider the issue of the balance between contributions and incentives for all subjects participating in the organisation. This perspective, in fact, seems useful in trying to interpret the emergence of multi-stakeholder structures as an organisational answer to the needs of involvement of the social actors that are necessary for the birth and the survival of social enterprises. Moreover, it also seems to be functional to evaluate and interpret the presence of some actors and the absence of others in organisations (Jordan 1990): both the stakeholders and the organisation decide to participate/ask for participation according to the balance between contributions and incentives.

Major works in this field of investigation are those conducted by Ben-Ner and Van Hoomissen (1991) and by Hansmann (1996). Analysing the emergence of non-profit organisations, the first two authors suggest that such organisations will be owned and controlled by those stakeholders for whom the net expected benefits of ownership are higher than the net benefits they might expect from alternative solutions. As to Hansmann, he distinguishes between the 'costs of market contracting' and the 'costs of ownership'. Involving a stakeholder in an organisation's ownership reduces the costs of market contracting, especially in some situations (such as the production of services that have some characteristics of quasi-public goods, as is the case for work integration services). On the other hand, it increases the costs of ownership, in particular as regards the decision-making process, since the interests of the various categories of stakeholders may become more conflicting. The extent to which these costs will vary depends upon the stakeholders involved and the degree of heterogeneity of their interests. Comparing such costs to advantages to be received from being involved can lead each stakeholder to decide to become an owner or not. At a theoretical level, Hansmann goes on to state that the organisational form chosen for an enterprise should be the one that minimises the costs of market contracting and the costs of ownership for all stakeholders concerned by the enterprise's activities. Although Hansmann seems to consider that only one stakeholder category will finally become involved,

he paves the way for the same kind of analysis in cases where several different stakeholders do actually share the ownership and control of an organisation.

Such a line of thought does not lead easily to testable hypotheses, as the outcomes of multi-stakeholder structures appear to be, like any other social phenomenon, very complex and multifaceted. General considerations include, for instance, the fact that the multiplicity of opinions in the boards can sometimes be interpreted as a positive element, because it stimulates innovation both in social and economic patterns (Laville and Nyssens 2001), but also as a negative feature, since it may cause inefficiency within the board. In other words, the heterogeneity of the board's membership actually makes the decision-making process longer and more complex (Borzaga and Mittone 1997; Hirschman 1980), sometimes leading to the phenomenon of 'noisy boards', which has consequences not only on efficiency but also on the ability to deal with crucial business and to support operational management activities (Middleton 1987); but on the other hand, the heterogeneity of the board also has 'trust generation effects', emerging in a multifaceted social environment where conflict is replaced by fruitful discussions and social capital creation (Laville and Nyssens 2001).

Conclusions

The first achievement of our research has been to strongly confirm the multiple-goal structure of European WISEs: nearly all the organisations in the sample analysed declared that they have more than one goal. Moreover, these objectives, as had been hypothesised, belong in an overwhelming majority of cases to three main categories: occupational and social integration, production of goods and services, and lobbying and advocacy. The most distinctive feature of WISEs, however, is probably the fact that the first two categories of goal are quite equally embedded in most organisations in the sample. Indeed, such an integration of social and economic objectives seems to draw a line between social enterprises, on the one hand, and for-profit companies, on the other, although the latter increasingly claim they are concerned with social and environmental objectives and not just profit maximisation.

These results come from the analysis of both single-stakeholder organisations and multi-stakeholder ones, thus confirming that it is a characteristic of all the social enterprises engaged in the social and occupational integration of disadvantaged people. As regards WISEs' goals structure, it is also noteworthy that the multiplicity of objectives in these organisations can derive not only from the existence of social and occupational integration goals and production ones but also from the nature of the productive activity: when WISEs aim to serve the community through the production of public interest goods rather than private ones, the general social aim to serve the community is translated concretely into different goals:

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integration of disadvantaged people, on the one hand, and production of general interest goods/services (environmental ones, for instance), on the other.

As to the hypothesised multi-stakeholder nature of WISEs, it also found empirical support as 58 per cent of the organisations in the sample involve more than one category of stakeholder in their decision-making process. Moreover, the data collected seem to indicate that the participation of stakeholders in these WISEs leads to the exercise of a real influence within boards. Indeed, according to the indicators developed, the analysis shows, in the majority of the WISEs surveyed, quite a balanced governance structure, where the involvement of stakeholders is made real and effective by democratic decision-making processes and by a rather balanced distribution of influence among various groups.

Coming finally to the reasons explaining the multi-stakeholder structure of many WISEs, we identify three major lines of theory. They all seem relevant and probably complementary, although not easy to test empirically. Further research is thus clearly needed to explore in more depth the determinants as well as the outcomes of such a structure of ownership and management. More fundamentally, as illustrated by the various models identified by Cornforth (2003)¹⁷ in boards of non-profit organisations, it would also be fruitful to examine the governance of social enterprises through other perspectives than stakeholder theory.

Review questions

- In which cases could one say that the social goal of social enterprises is twofold?
- What different reasons could explain the involvement of a variety of stakeholders in social enterprises?
- How could you explain the fact that both multi-stakeholder and single-stakeholder social enterprises appear to be multiple-goal organisations?

Notes

- 1 Four organisations pursue only one goal: a Finnish co-operative and an English recycling organisation declared a single goal of production of goods and services, a German organisation stressed only an objective of work and social integration and, surprisingly, an English co-operative claimed it was only engaged in promoting the co-operative movement (classed in the 'other' category).
- 2 Interestingly, the advocacy and lobbying goal is the least important for Italian WISEs, probably because they have the strongest federal bodies (local and national consortia) which take charge of most of these functions.

- 3 More precisely, managers were asked whether the production of goods and services was subordinated to the work integration goal, balanced with it or dominated work integration.
- 4 Interviewees were requested to tick all relevant items in a list.
- 5 See, for example, Pearce (2003), Dees and Emerson (2002) or the publications by 'Social Enterprise London'.
- 6 Of course, the relative importance of these two legal forms vary a lot among countries: 80 per cent of the WISEs surveyed in France were associations, while 80 per cent of WISEs in Sweden and all WISEs in Italy were co-operatives.
- 7 Jordan (1990) reports the failed attempt of the French co-operative movement to introduce the multi-stakeholder status during the first ICA (International Co-operative Alliance) meeting in 1895. The position of the Alliance today still favours a traditional single-stakeholder membership.
- 8 The Italian law on social co-operatives (L. 381/91), for example, explicitly permits (but does not make compulsory) the inclusion in the ownership structure of volunteers, participants (whenever it is possible) and legal persons whose statutes provide for the financial support or development of social co-operatives.
- 9 One of the very few exceptions is the legal framework of 'integration enterprises' (*enterprises d'insertion*) in the Walloon Region (Belgium): generally registered as co-operatives with a social purpose, they are obliged by law to offer their workers, hired as disadvantaged unemployed people, formal membership within a certain period of time. In the same way, a law recently passed in Italy (June 2005) paves the way for rules concerning 'social enterprises' (not just social co-operatives) which would impose the formal involvement of workers and users/customers in the decision-making process.
- 10 For the sake of simplicity, the influence of each category had to be described as strong, weak or insignificant. We are fully aware of the limits of such an approach that relies solely on the managers' perceptions, especially as the latter may actually in many cases be the most powerful agent in the organisation.
- 11 With the exception of two or three countries, it seems that WISEs often encounter difficulties or are reluctant to involve 'participants' in the decision-making process. Of course this may be explained by the profile of these workers (often with a low qualification or sometimes a mental handicap) as well as by their desire or obligation to leave some specific types of WISE after a certain period.
- 12 Petrella (2003) provides an interesting survey of the 'raison d'être' of multi-stakeholder organisations, especially referring to new institutional economic theory.
- 13 Jordan (1990) refers, for example, to the *in extremis* involvement of staff, which is usually necessary in case of crisis in consumer co-operatives.
- 14 Pfeffer (1973), in his study of religious and private non-profit hospitals, underlines that, in his sample, the more dependent on external resources an organisation is, the more participative its board is.
- 15 WISEs in the overall sample were divided among the following categories: mixed boards, boards dominated by NPOs, boards dominated by workers, boards dominated by participants, boards dominated by volunteers and boards dominated by representatives of the public authorities.
- 16 Moreover, single-goal organisations are as frequent among multi-stakeholder organisations as among single-stakeholder ones: four organisations in the project sample, two of which are single-stakeholder and two multi-stakeholder, declared that they had one only goal.
- 17 Analysing how boards function in non-profit (and public) organisations, Cornforth (2003) identifies five models in addition to the stakeholder model: a compliance model, based on agency theory; a partnership model, based on stewardship theory; a co-optation model, linked to resource dependency theory; a democratic model and a 'rubber stamp' model, based on managerial hegemony theory.

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