The Worldwide Emergence of Social Enterprise: A Comparative Analysis of Europe, the United States and Eastern Asia

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EMES European Research Network
1. Some historical backgrounds

2. The approach built up by the EMES European Research Network

3. Work integration social enterprises in the EU

4. Social enterprises in the whole social economy (third sector)

5. Towards a EU - US - East Asian Comparative Perspective
1. Some historical backgrounds

A. SOCIAL ENTREPRENEUR, SOCIAL ENTREPRENEURSHIP, SOCIAL ENTERPRISE

• Appearance of these notions around 1990 (US and Western Europe)

• Development of a whole literature since the mid-90's
  – United States: around Ashoka, business schools and pro-active foundations supporting social entrepreneurs or NPOs’ strategies to earn market income
  – Western Europe: social enterprises reflect new developments within the "third sector" or the "social economy" (voluntary organizations, NGOs, cooperatives,…)
  – Social entrepreneurship: spectrum of initiatives much wider than the concept of social enterprise
B. ITALY: THE BOOM OF «SOCIAL CO-OPERATIVES»

- 1980’s: withdrawal of the state from some social services
- Wide diversity of private (collective) entrepreneurial initiatives to respond to unmet social needs
- As soon as 1990, launching of the «Impresa Sociale» journal
- Law of 1991 creating the legal form of «social solidarity co-operative»
  - A-type social co-operatives: social services co-operatives
  - B-type social co-operatives: work integration social co-operatives
- End of 2005: 7,300 social co-operatives having created 244,000 jobs
C. THE WORKS OF THE « EMES EUROPEAN NETWORK »

✓ The emergence of social enterprises in the 15 member states of the EU (1996-2000)

A common European approach to the social entrep.

✓ A European overview of social enterprises (main areas: work integration, personal services, local development)

✓ Social enterprises in the field of integration by work - « Work Integration Social Enterprises » (2001-2005)

✓ European overview of « WISEs »

D. PUBLIC POLICIES PROMOTING SOCIAL ENTERPRISES

• Creation of federative bodies providing various types of technical support (for instance, the Italian Consorzi)

• Setting up of public or public-private funds providing seed capital, loans and other financial supports (France, Belgium,…)

• Promoting access of SE to public procurement (e.g. local public goods)

• Public policies focusing explicitly on the promotion of SE (UK since 2002, EQUAL programme,…)

• New legal frameworks designed for SE
• New legal frameworks related to the "cooperative model":
  • Italy (1991): "social cooperative"
  • Portugal (1998): "social solidarity cooperative"
  • Spain (1999): "social initiative cooperative"
  • France (2001): "cooperative society of collective interest"
  • Poland (2007): "social cooperative"

• New legal frameworks based on a more "open model":
  • Belgium (1995): "social purpose company"
  • United Kingdom (2004): "community interest company"
  • Finland (2004): "social enterprise"
  • Italy (2006): "social enterprise"
D. THE STRATEGY OF THE BRITISH GOVERNMENT

✓ 2002: publication of the document « Social Enterprise: a Strategy for Success » (Secretary of State for Trade and Industry)

✓ A quite open definition of social enterprise as a business « with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. »

✓ 2006: Social Enterprise Unit within the Office of the Third Sector

✓ Large variety of activities developed by social enterprises: health and social care, community and social services, education, estate activities, etc.

✓ Annual Social Enterprise Research Conferences (Skoll Centre, CRU, …)
2. The approach built by the EMES Network

- 4 economic and 5 social criteria
- The nine criteria are not conditions to be strictly met to deserve the label of social enterprise
- They rather define an « ideal-type » (abstract construction) that enables to position oneself within the « galaxy » of social enterprises

A methodological tool rather than a normative framework
- The 4 economic criteria:
  - A continuous activity producing goods and/or services
  - A high degree of autonomy
  - A significant level of economic risk
  - A minimum amount of paid work
• The 5 social criteria:
  – An explicit aim to benefit the community
  – An initiative launched by a group of citizens
  – A decision-making power not based on capital ownership
  – A participatory nature, which involves the persons affected by the activity
  – Limited profit distribution

Conception of the social enterprise deeply rooted in the third sector (social economy)
The concept of social enterprise is double-sided:

Social enterprises can be

NEW ENTITIES

OR

ALREADY EXISTING ORGANISATIONS

reshaped by a new dynamics
3. Work Integration Social Enterprises (WISE) in the European Union

A. THE FIELD UNDER STUDY

Besides the main criteria of the « working definition », a WISE is characterised by two major elements:

- **Goal**: occupational and social integration of handicapped or marginalised people

- **Means**: productive activity with guidance or training, with the view of achieving a lasting integration, be it within the social enterprise or within a traditional enterprise
B. TYPOLOGIES OF WISEs

Identification of 39 WISE models across 12 EU countries

For each of these categories of WISE, spotting of the main characteristics: legal form, goals, types of jobs, importance of training, target group, resources…

Identification sheet for each category of WISE
Main characteristic of target groups

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<th>Persons with mental or physical disabilities</th>
<th>« Abled » unemployed workers</th>
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<td>«Social handicap» (alcohol, drug)</td>
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<td>«Hard-to-place» (long-term)</td>
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Integration goals

Transitional employment supported by short-term subsidies

Socialisation through productive activity

Permanent self-financed jobs

Jobs supported by long-term subsidies
C. AREAS OF FUTURE DEVELOPMENT

• **Fight against unemployment**
  - work-integration social enterprises: on-the-job training enterprises, sheltered workshops (for the handicapped or the socially excluded), integration entreprises

• **Sustainable development**
  - enterprises operating in the field of waste collection and recycling (Group “Terre” in Belgium)
  - associations for the protection of natural sites, cooperatives for the development of organic agriculture
• Integration of immigrants and fighting new urban poverty
  ➢ literacy associations,
  ➢ youth centres
  ➢ sports clubs
  ➢ cultural expression groups
  ➢ social aid associations

• North-South inequalities
  ➢ NGOs for international cooperation
  ➢ humanitarian aid associations
  ➢ fair trade shops

• Ageing of our societies
  ➢ centres providing services and home care
  ➢ proximity services
  ➢ retirement homes

• and many other challenges…
4. Social enterprises in the whole social economy (third sector)

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

Co-operatives

Non-profit Organisations
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Co-operatives

Non-profit Organisations

NPOs transformed into social firms

Production-oriented NPOs

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

Co-operatives

Non-profit Organisations

SOCIAL ENTERPRISES
B. LOCATING SOCIAL ENTERPRISES

Social economy (third sector)

STATE (public agencies)

Not-for profit

For-profit

Public

Private

Informal networks

CIVIL SOCIETY (households, families)

MARKET (Private Companies)

Informal

Formal
4. Toward EU – US - East Asia Comparisons

A. Key factors

• On both sides of the Atlantic, new entrepreneurial behaviours driven by a primary social purpose mainly took place within the third sector

  - In the US, Third Sector = Non Profit Organizations
  - In Europe, Third Sector = Not For Profit Organizations (include cooperatives) => Quest for economic democracy

• In Eastern Asia: combination of pioneering initiatives of the civil society and top-down public policies

  - SE with a mixed identity: third sector under strong public control
  - South Korea: law in 2007 to promote social enterprises
  - Social enterprise may have some relations with new worker or consumer cooperatives’ movements or NPOs (SK, Japan)
Changes in public funding have played an important role:

- In the US, shortcuts in the volume of public grants to NPOs

- In Europe, forms rather than the volume of public funding were transformed: quasi-market, second labor programs

- In Eastern Asia: financial crisis in the 90’s and move of public policies toward more active labor market policies linked to basic livelihood allowance and social jobs programs (South Korea) or with long-term health care insurance (Japan)
B. Key social actors which have shaped the debate

– In Europe:
  • **Federative bodies** advocate for a better recognition of their specificities
  • Governments: new **legal forms** for SE and public schemes
  • First, mainly scholars from **social sciences**, then business schools

– In the US:
  • NPOs mobilizing **market income**
  • Innovative **social entrepreneurs**
  • Blooming of **foundations** and consulting companies to support this new « industry »
  • Mainly scholars from **business schools**
• Key social actors and factors which have shaped the debate in **Eastern Asia:**
  
  • Influence of the American model and **liberal economic ideas** (strong confidence in free market forces)

  • Governments: long tradition of vertical **hierarchies** (sometimes dictatorial) and **top-down processes**

  • Key challenges: high proportion of **unsecured jobs** and **fast aging population** (Japan, South Korea)

  • Emergence of **civil society movements** and **bottom-up initiatives** in changing political contexts (democracy in SK, more economic freedom in China)

  • Creation of various **networks** to promote social enterprises and new answers to socio-economic challenges
C. Three major conceptions of social enterprise with an international influence

Conceptions rooted in the US context (Dees, Anderson, 2006):

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

Conception rooted in the EU context

3. The “EMES approach”
1. The “Earned Income” school of thought

Early version: the “Commercial Non-Profit” approach

- Focus on earned-income strategies for NPOs

- “Any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission” (Social Enterprise Alliance)

- Certainly influential in various East Asian Countries
1. The “Earned Income” school (contd)

Later version: the “Mission-Driven Business” approach

- Any kind of undertaking: not only NPOs, also for-profit companies, public sector entities reshaped by such an entrepreneurial endeavor toward a social aim

- Shift from a sole market orientation to a broader vision of business methods to more effective social sector organizations

- CSR initiatives within the broad spectrum of social entrepreneurship

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

- Systemic nature of innovation
- Emphasis on outcomes rather than on incomes
- Influence in Eastern Asia
3. The EMES approach (summary)

- An economic project
- Primacy of social aim

- A participatory governance
  - High degree of autonomy
  - Stakeholders’ involvement
  - Decision-making power not based on capital ownership

Influential in various parts of the world, mainly in academic circles (including in Japan and SK)
B. Key issues shaping SE conceptions

1. The social purpose of the enterprise

Profit as main purpose

Social aim at the core of the enterprise

“EMES ideal –type SE”

“Social Innovation school”

“Commercial non profit approach”

“Mission-driven business approach”

Project linked to Corporate Social Responsibility
2. The economic dimension of the enterprise (cont.)

The economic risk (enterprise’s resources)

\[ \text{Economic risk} = \text{market income} \quad \text{Economic risk} = \text{mix of resources} \]

“Earned income school” \quad “EMES ideal –type SE”

\[ \text{Social Innovation school} \]
3. The governance of the enterprise

How to guarantee the fulfillment of the social mission?

Social entrepreneur

Collective forms of governance

“Social Innovation School”
Personal commitment

“EMES ideal –type SE”
Multiple stakeholder ownership
European legal frameworks

“Commercial non profit approach”
Collective appropriation of profit
(non distribution of profit)

“Mission-driven business approach”
Which governance guarantees the social mission?
4. The diffusion of social innovation

• The “Social Innovation” school: focus on the question of the scale of social innovation processes inside the enterprise:

  ✓ Support of foundations bringing a leverage effect
  ✓ Risk: move from primary social mission to “blended value creation” in which economic goals may take the first place

• In European contexts: public policies promote institutionalization of the social enterprises

  ✓ Collective forms of governance as a trust signal allowing public bodies to support social enterprises in various ways (new legal forms, public schemes…);

  ✓ Risk: social enterprise becoming a simple instrument following priorities of the government’s agenda
    Major risk in Eastern Asia as well, so what about autonomy?
Conclusion: Toward an Eastern Asian conception of social enterprise?

Probably at the crossroads of:

• Influences of US, UK and Continental European approaches

• Eastern Asian specificities such as:
  - Importance of State’s influence and control
  - Rather recent civil society movements
  - Third sector still poorly recognized and quite heterogeneous
A hypothesis to be discussed in this Conference…

Public policies:
- innovative policies
- partnerships
- appropriate legislations
- consultative bodies

Co-operatives

Initiatives of for-profit companies:
- joint ventures
- CSR
- foundations’ supports

Associations (NPOs)
Thank you for your attention