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Social Enterprise

Research to Build Resilient Social Economy Ecosystems in Europe

Under the broad umbrella of "the social economy," research has a major role to play in helping us better understand the strengths and weaknesses of multiple forms of social entrepreneurship.

By Rocío Nogales-Muriel & Marthe Nyssens | Jun. 9, 2021

(Photo courtesy of EMES International Research Network)

Our current economic, ecological, and social tensions attest to the urgency of fundamentally transitioning the way in which we organize economic activity and its relationship to society. Through a variety of initiatives in many different sectors of activity—work integration, social finance, short supply chains, recycling, personal services, collaborative economy, culture, and many others—citizens, private sector actors, and public officials are discovering new opportunities to promote societal goals. But these initiatives not only open up new activities that create jobs; through their values, they inspire trust among citizens and public authorities, contribute to the institutional plurality of our economic systems, and open the door to citizen involvement, participation, and empowerment. And although the social and ecological transition we need cannot fully take place without deep systemic transformations at the macro level, initiatives like these contribute to the evolution of production processes and consumption patterns.

In Europe, these initiatives fall under the broad umbrella of "the social economy." With the preparation of a European Action Plan for the Social Economy under way, the "social economy field" is gaining momentum at the EU policy level. The challenge is therefore to take the full measure of its contribution and broaden its influence.

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Research has a major role to play in helping us better understand the strengths and weaknesses of these multiple forms of entrepreneurship, in their own contexts and in their respective fields of activity, and it is important to train the young generation rigorously to the challenges of social entrepreneurship. But these research and teaching themes are still not very present—nor legitimized—within the universities where the future generations of entrepreneurs are trained.

These initiatives fall under several umbrellas, terms like “social economy,” “solidarity economy,” and “social enterprise.” In the 2000s, “social innovation” also began to appear as a novel area of scientific inquiry. But although each of these concepts is the subject of specific conceptual debates, discussed in different circles, and following different paths, they are interconnected. For this reason, rather than opposing these concepts to one another, we advocate a research stance that considers each as a particular “spotlight,” offering a specific analytical potential to shed light on the dynamics of the broader third sector.

To underline the added value of each concept to the debate, it’s worth briefly reviewing them one by one:

The social economy: On the one hand, the social economy describes private, non-capitalist categories of organizations, each with special status and rules: cooperatives, associations, mutual organizations, and (increasingly) foundations. However, on the other hand, the social economy also refers to more broadly to the principles and values which are supposed to inspire certain modes of operation: aim of serving the organization’s members or the community rather than maximizing profit (reflected by a limited return on capital and joint reserves that cannot be individually shared), independent management, and a democratic decision-making process.

The European Commission began to show an interest in the social economy in the late 1980s. Prior to the 2000s, a unit was dedicated to the social economy within the Enterprise Policy, Trade, Tourism, and Social Economy Directorate. Today, the privileged interlocutors of social economy actors within the European Commission remain the Directorate General Employment, Social Affairs and Inclusion (EMPL) and the Directorate General Internal Market, Industry, Entrepreneurship and SMEs (GROW), although other Directorate Generals and units also work on this theme. Since the end of the 1980s, about twenty major conferences on this subject have been held throughout the EU, with an opening to social enterprise during the last ones.

The solidarity economy: In very concise terms, the solidarity economy re-embeds economics in society. According to Jean Louis Laville, it refers to "all economic activities subject to a will to act democratically, in which social relations of solidarity have priority over individual interest or material profit." However, the solidarity economy is more than a legal status: what characterizes solidarity economy activities is their twofold dimension, both economic and political.

At the economic level, the solidarity economy stresses reciprocity and mutual commitment among the people who give birth to an initiative. Activities are then consolidated through mixing different types of resources: the initial reciprocal resources are combined with public contributions, linked to redistribution, and with market resources.

The political dimension of the solidarity economy is expressed, as Laville puts it, "in the construction of public spaces that allow a debate among the stakeholders on the social demands and the purposes being pursued." Whether this takes the form of protest against or cooperation with the public authorities, the key is that major societal challenges are taken up by explicitly revitalizing democratic debate. One major issue, therefore, lies in maintaining autonomous public spaces that are distinct from but complementary to the public spaces instituted and regulated by the public authorities.

Because of complementarities between the "social economy" and "solidarity economy" approaches (and since both share common roots in the pioneering associationism of the 19th century), it's logical that the notions are, more and more frequently, combined; since the early 2000s, various federations, support structures, educational programs and other consultative bodies have deliberately chosen to refer to the "social and solidarity economy" field. To name just a few examples: the French Regional Chambers of the Social and Solidarity Economy and Inter-University Network for the Social and Solidarity Economy (RIUESS) and the UN Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSE).

Social enterprise: In Europe, the emergence and rise of the concept of social enterprise owes much to the success of social cooperatives, which appeared in Italy in 1991, and to the British government's policy of promoting social enterprise, implemented from 2002 onwards. The European Commission adopted such a perspective, to a large extent, with the launch of its "Social Business Initiative" in October 2011, aimed at building an ecosystem to promote social enterprises at the heart of the social economy and social innovation.

In Europe, the very first academic study of social enterprise covering several countries and comparing different types of social enterprise dates back to the late 1990s, edited by Borzaga and Defourny within the EMES Network. The EMES approach derives from extensive dialogue among several disciplines (economics, sociology, political science, and management) as well as among the various national traditions and sensitivities present in the European Union.

Both theoretical and empirical, this approach preferred identifying various indicators, rather than a more concise and elegant definition. These indicators are grouped in three subsets, referring respectively to the economic and entrepreneurial dimension, the social dimension and the governance-related dimension of social enterprise. These indicators were never intended to represent a set of conditions that an organization should meet to qualify as a social enterprise, however; rather than a prescriptive criteria, the indicators describe an "ideal-typical" social enterprise in Weber's terms (i.e. an abstract construction or an analytical tool, analogous to a compass, which helps locating social enterprises ("stars") or groups of social enterprises ("constellations") relative to one another in the "galaxy" of social enterprises).

The International Comparative Social Enterprise Models (ICSEM) research project, led by the EMES Network, involved more than 230 research partners in 55 countries across all world regions. ICSEM was designed to document the diversity of social enterprise models as a way to fulfill a threefold objective:

1. to overcome most problems related to the quest for a unifying and encompassing conceptualization of social enterprise;
2. to try to theoretically and empirically build an international typology of social enterprise models;
3. consequently, to pave the way for a better understanding of social enterprise dynamics and ecosystems.

In a first, theoretical stage, four social enterprise models, generated by specific institutional trajectories, were identified: a social-business model, a social-cooperative model, an entrepreneurial nonprofit model, and a para-public social enterprise model.

The existence of three of these four theoretical models was strongly supported by empirical evidence: indeed, three models were found in 39 of the 43 countries covered by the ICSEM survey. Therefore, the collected data showed that, while social enterprises are influenced by institutional factors at the macro level, they stem from all parts of the economy and can be related to different organizational backgrounds—namely, the nonprofit, the cooperative and the business sectors—which exist in almost all countries.

Social innovation: Social innovation emerged as a specific field of interest before the social economy and social enterprise concepts did. At the European political level, the 2010 report from the Bureau of European Policy Advisors constituted a major milestone in the reflection on social innovation. The European Commission subsequently launched several initiatives on this subject: the Social Innovation Europe initiative (which aimed at the development of networks and the exchange of good practices), the publication of a *Guide to Social Innovation*, and the financing of social innovation through structural funds and research programs.

Social innovation is not limited to the social economy field, but enterprises in this domain are a central actor in social innovation. For example, the above-mentioned Social Business Initiative aimed at "creating a favorable climate for social enterprises, key stakeholders in the social economy and innovation." Social innovation is an inescapable reference in the literature on social enterprise, and the social and solidarity economy is also increasingly explicitly associated with it. According to Bouchard and Levesque, this association is a novelty: while the social economy has been innovative since the 19th century, both organizationally and institutionally and in terms of the purposes it serves, the adoption of social innovation as an unavoidable reference in this field is relatively recent (well described in important books such as *The International Handbook on Social Innovation*.

A distinction can be drawn between a "weak" and a "strong" conception of social innovation. In the weak conception, market actors seem to define the landscape; social enterprises are characterized by the pursuit of measurable social impacts and the use of managerial methods. For some authors, the social dimension takes its place alongside financial return and risk without challenging the rules of the capitalist system. In this weak conception, the present wave of social entrepreneurship and social innovation might partly act as a process of hierarchization and selection of social challenges according to their amenability to be treated in an entrepreneurial and commercial mode.

Adopting a strong conception of social innovation, on the other hand, means not only recognizing that social innovation and social economy initiatives produce social impacts by providing goods and services to meet unsatisfied needs, but also acknowledging their institutional dimension: their role in the development and implementation of norms and regulations at the level of the organization and beyond. These norms and regulations shape the fundamental equilibrium in our societies between the market, the state, and civil society.

Facing these conceptual debates, this plurality in the body of knowledge reflects the inherent diversity of the social economy field itself. It may make academic systematization challenging. But it also calls for a more conscious and engaged epistemological stance on the part of researchers.

Research and the Development and Resilience of Social Economy Ecosystems

Research and knowledge creation can increase the recognition and visibility of social economy at all levels. Research is explicitly identified in strategic policy documents, such as the Social Business Initiative, and its relevance for practice and policy-making has been confirmed repeatedly (as for instance by the Experts' Group on Social Entrepreneurship (GECES), which issued a call for action entitled "Social enterprises and the social economy going forward").

Social enterprises mappings carried out at European level have increased the visibility of the social economy ecosystem in this region: The updated 2020 mapping explicitly states that, notwithstanding its limitations, "research has contributed to enhancing the visibility of social enterprises and related phenomena as well as to raising the awareness of citizens and policymakers about the relevance of such themes for society." Likewise, the study entitled "The Social Economy in the European Union" (carried out by the European Economic and Social Committee since 2008 and updated in 2012 and 2016) recognizes the importance of research and training (among other actions) to structure the social economy sector in Europe.

In measuring the contribution of social economy to the economies of the EU Member States, national statistical offices could become key allies, estimating both the weight of social economy and their evolution over time and in predicting trends for such evolution. However, we are still at the prototype stage in this field, even if debates around social economy satellite accounts remain an important topic on the agenda.

Research can also contribute to analyzing the diversity of social enterprise models and evolutionary trends in their own contexts and in their respective fields of activity. The wave of recognition across Europe that the social enterprise field currently enjoys entails advantages, but it also generates excessive expectations from some players and a certain confusion in part of the debates. If we want to advance knowledge and to develop evidence-based policies to foster the development of sustainable social economy ecosystems, we need to acknowledge the diversity of social enterprises models in different industries. The challenge is in achieving a full understanding of the diversity of social enterprise models emerging, both across Europe and globally. The role of research in achieving such analytical clarity is fundamental

Finally, research contributes to the policy debate regarding society's major challenges, both in terms of framing of the problems and of articulation of possible strategies to address these problems (models, policy recommendations, etc.). Social economy research has shown its capacity to documenting and explaining the functioning of viable collective alternatives aimed at tackling complex social challenges, thus opening the door to designing policy (and other) measures to support them. Identifying synergies between policymaking and research means looking at what has been done in the past as well as assessing present conditions for collaboration. Two decades of intensive exchanges and collaborations between social economy representatives, policymakers, and researchers have paved the way for focused action and the focus should now be on learning how this policy-research interaction works (from a critical perspective) and developing actions to support it.

As long as fundamental systemic change toward sustainability is recognized as an urgent priority in the post-Covid era, research on social economy can contribute to better understand how these initiatives have emerged from citizens, and how cross-sector collaboration can occur. A concluding crucial question for research remains whether (and how) collaboration between higher education institutions and communities leads to social change and social innovation within territorial systems.

The challenge will be to better connect researchers and social economy stakeholders to enhance shared understanding, with a view to influencing and informing, in turn, the development of new social, labor, and economic policies, and practice interventions that have a proven capacity to foster social economy development and thereby contribute to the development of sustainable societies.

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