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Social Enterprise

A Global Comparison

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2 Western Europe

DEFINITION

In Western Europe, according to Defourny and Nyssens (2006, p. 4), the concept of social enterprise “made its first appearance in the early 1990s, at the very heart of the third sector, following an impetus that was first Italian, linked closely with the cooperative movement.” Indeed, according to European tradition (Evers & Laville, 2004), the third sector brings together cooperatives, associations, mutual societies, and, increasingly, foundations, or, in other words, all not-for-profit organizations (organizations not owned by shareholders) that are labeled the “social economy” in some European countries.¹

Specifically, in 1991, the Italian parliament adopted a law creating a specific legal form for “social cooperatives,” stimulating their extraordinary growth. These cooperatives arose primarily in response to needs that had been inadequately met or not met at all by public services or private enterprises (Borzaga & Santuari, 2001). More than ten years later, the government in the United Kingdom defined social enterprises as “businesses 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 maximize profit for shareholders and owners” (DTI, 2004), and a new legal form, the “community interest company,” was approved by the British parliament in 2004.

European researchers noticed the existence of similar initiatives in several other European countries. These initiatives were given a variety of labels and legal forms. In 1996, researchers from a number of these countries decided to form a network to study the emergence of social enterprises in Europe. This group became known as the EMES Research Network. Covering all fifteen countries that at the time comprised the European Union, this network of researchers carried out its initial work

over a four-year period and gradually developed a common approach to the study of social enterprise in Europe (Borzaga & Defourny, 2001b).

In the European public debate, the concept of social enterprise has different meanings and is still unclear. One school of thought stresses the social entrepreneurship dynamic developed by firms seeking to enhance the social impact of their productive activities. In this school the literature often highlights innovative approaches to tackling social needs developed by individuals who are fostering businesses (Grenier, 2003), mostly in the nonprofit sector but also in the for-profit sector (Nicholls, 2005). In the latter case, social entrepreneurship has to do, at least partially, with the “corporate social responsibility” debate. Another stream of thought uses the concept of social enterprise only for organizations belonging to the third sector and therefore builds on the specificities of the sector. In such social enterprises, generally of the cooperative or associative type, the social impact on the community is not merely a consequence or a side effect of economic activity; it is the motivation itself (Defourny & Nyssens, 2006).

The EMES approach (Borzaga & Defourny, 2001a; Nyssens, 2006) falls within this latter framework. EMES defines social enterprise as not-for-profit organizations providing goods and services, directly related to their explicit goal of benefiting the community. They generally rely on collective dynamics involving various stakeholders in their governing bodies, and they place a high value on independence and economic risk-taking related to ongoing socioeconomic activity (Defourny & Nyssens, 2008). This research effort is, among other things, establishing an “ideal type” of social enterprise with the understanding that even social enterprises that do not precisely adhere to the “ideal type” are nonetheless included in the sphere of social enterprise.

This perspective on social enterprise differs on at least three points from the U.S. rationale for social enterprise (Defourny & Nyssens, 2006). First, the EMES framework places the emphasis on the multidimensional character of the governance of social enterprises. This point of view is far richer than the sole nondistribution constraint or the limitation on profit distribution, which constitutes the central feature around which most of the nonprofit literature has been built. In comparing it with social enterprise in the United States, Young and Salamon state, “In Europe, the notion of social enterprise focuses more heavily on the way an organization is

FIGURE 2.1. The EMES Ideal Type of Social Enterprise

The EMES definition distinguishes between criteria that are more economic and criteria that are predominantly social.

The economic dimension

- a) A continuous activity, producing and selling goods and/or services
- b) A high degree of autonomy
- c) A significant level of economic risk
- d) A minimum amount of paid work

The social dimension

- e) An explicit aim to benefit the community
- f) An initiative launched by a group of citizens
- g) A decision-making power not based on capital
- h) A participatory nature, which involves the various parties affected by the activity
- i) A limited profit distribution

Source: Defourny, 2001, pp. 16–18

holders in the governance of the organization through formal channels, such as participation on the board, or more informal ones. Defourny states, “In many cases, one of the aims of social enterprises is to further democracy at a local level through economic activity” (2001, p. 18). What sets them apart is the involvement of stakeholders through the representation and participation of workers, customers, or beneficiaries, that is, the use of a democratic management style, which is not a requirement of social enterprise in the United States. For example, some cooperatives are commonly understood as a basic type of social enterprise. Indeed, in some European countries, such as Italy, the term “social cooperative” came into common usage before the term “social enterprise” (Bengtsson & Hulgard, 2001).

Moreover, regarding the involvement of stakeholders, the concept of “multiple stakeholder ownership” has been developed (Bacchiaga & Borzaga, 2001) in reference to the fact that different types of stakeholders can be represented on the board of an organization. Governing bodies are made up of a diverse group of stakeholders that may include beneficiaries, employees, volunteers, public authorities, and donors, among others. Moreover, multi-stakeholder cooperatives, as a distinct legal form of cooperative, are becoming increasingly popular in Europe and are even recognized in some national-level legislation (see legal forms below) (Münkner, 2003; Levi, 2003; Lindsay et al., 2003). A recent analysis (Nyssens, 2006) based on more than 160 European social enterprises shows that 58 percent of them involve more than one type of stakeholder on their board. Moreover, the data collected seem to indicate that “the participation of stakeholders in these social enterprises leads to the exercise of a real influence within boards” because of the “balanced governance structure” (Campi, Defourny, & Grégoire, 2006, p. 46). This dynamic, which links people with different backgrounds, is also reflected in the fact that a lot of social enterprises are founded through local partnerships across different types of stakeholders, which can consequently enhance the development of bridging social capital.

Second, though widely assumed in the U.S. and U.K. debates on social enterprise, the economic dimension of the concept does not necessarily refer to the growing importance of a trading activity. The central idea in Europe is, rather, that the financial viability of the social enterprise depends on the efforts of its members to secure adequate resources to sup-

governed and what its purpose is rather than on whether it strictly adheres to the nondistribution constraint of a formal nonprofit organisation” (2002, p. 433). The EMES definition of social enterprise also integrates this feature by its “limited profit distribution” criterion. However, other aspects are central to characterizing social enterprise’s governance structure. One of these is the existence of a collective dynamic of entrepreneurship involving people who belong to a community or to a group that shares a well-defined need or goal. This does not exclude the possibility that some leader or charismatic entrepreneur plays a key role in the enterprise, but generally these persons are supported by a group whose members are responsible for the public benefit mission of the social enterprise. This view contrasts with the emphasis on social entrepreneurship (see Dees, 2001), “which reflects a shift toward focusing on individuals and away from traditional emphasis on the community and collective found in community development and the co-op movement” (Grenier, 2003, p. 4). The EMES definition also stresses the involvement of different stake-

port the enterprise's social mission. These resources can have a hybrid character and come from trading activities, from public subsidies, or from voluntary resources obtained thanks to the mobilization of social capital.

Though the EMES list of criteria does not make this explicit, the third way the European conception differs is related to the nature of the continuous activity of the social enterprise. The production of goods and/or services should in itself (and not only indirectly through the income it generates) constitute support of the social mission of the organization. In other words, the nature of the economic activity must be connected to the social mission: if the mission of the social enterprise is to create jobs for low-qualified people, the economic activity itself supports the work-integration goal; if the mission of the social enterprise is to develop social services, the economic activity is the delivery of these social services. By contrast, in the U.S. or U.K. conception of social enterprise, the trading activity is often considered simply a source of income, and the nature of the trade does not necessarily matter (Dees, 1998).

HISTORY OF THE RECENT SOCIAL ENTERPRISE MOVEMENT

In Europe, the trend toward social enterprise was focused on the simultaneous development of public interest services and diversification of revenue generation, mainly in the third sector. With the decreased economic growth and increased unemployment that began at the end of the 1970s and continued into the 1990s, many European welfare states experienced a crisis. Budgetary constraints were the main cause, but the crisis was also in terms of the effectiveness and legitimacy of state welfare programs (Borzaga & Defourny, 2001b; Spear et al., 2001; Borzaga & Santuari, 2003). Legitimacy was particularly undermined in the area of unemployment as policies, especially for the long-term unemployed (including the disadvantaged and low-skilled), proved not very effective (Borzaga & Defourny, 2001b).

In this context, an increasing number of socioeconomic initiatives, mainly inside the third sector, appeared in response to emerging needs, including: solutions to the housing problems of increasingly marginalized groups; child-care services to meet new needs created by socioeconomic changes; new services for the elderly, given the rapid aging of the population and changes in family structures; urban regeneration initiatives; employment programs for the long-term unemployed, and so on. Social actors did not find adequate public policy schemes to tackle these problems

and pointed to the limits of traditional public intervention practices. The first pioneering social enterprises in Europe were founded in the 1980s by civil society actors including social workers, associative militants, representatives of more traditional third sector organizations, sometimes with the excluded workers themselves. In some countries with a tradition of cooperative entrepreneurship, some pioneering initiatives were launched by the workers themselves relying on a self-help dynamic. Sometimes the groups launching social enterprises had links to public bodies, which probably reflected, in countries such as Germany or Denmark, the interwoven nature of the third sector and the public sector (Laville, Lemaître, & Nyssens, 2006).

Although these innovative initiatives were not labeled "social enterprises," they were characterized by a new entrepreneurial spirit focused on social goals. Comparing social enterprises to traditional third sector organizations reveals some differences. In contrast to traditional cooperatives, social enterprises are more open to the local community and place more emphasis on the dimension of general interest because they serve the broader community and not just their own members (such as organizations combating poverty and exclusion or protecting the environment). Moreover, social enterprises are initiated by a group of citizens and often combine different types of stakeholders in their membership, whereas traditional cooperatives are usually single-stakeholder organizations. Compared to traditional associations, social enterprises place a higher value on economic risk-taking related to an ongoing productive activity. Social enterprises are, therefore, new organizations that may be regarded as a subdivision of the third sector but that also reflect a process at work within older experiences inside the third sector (Defourny & Nyssens, 2006).

As previously stated, social enterprises operate in a wide range of activities. However, one type of social enterprise is widespread across Europe: "work integration social enterprises" (WISE) (Nyssens, 2006). The persistence of structural unemployment among some groups, the difficulties of integrating some workers by means of traditional active labor policies, and the need for more active integration policies have naturally raised questions concerning the role that social enterprises can occupy in combating unemployment and fostering employment growth. The major objective of these work-integration social enterprises is to help poorly qualified, unemployed people who are at risk of permanent exclusion from the labor market. These enterprises integrate them into work and

society through productive activity. In almost all European countries, this type of social enterprise has driven the development of specific public schemes, causing the concept of social enterprise to be associated with this type of employment-creating initiative.

In some cases, social enterprises adopt existing legal forms, including the association, cooperative, companies limited by guarantee, or, for example, the Industrial and Provident Societies in the U.K. However, most social enterprises fall under the legal forms of associations or cooperatives. Social enterprises are established as associations in those countries where the legal form of association allows a degree of freedom in selling goods and services on the open market. In countries where associations are more limited in this regard, such as the Nordic countries, social enterprises are more often created under the legal form for cooperatives (Borzaga & Defourny, 2001a).

Besides these traditional legal forms, a number of national governments have created new legal forms specifically for social enterprises with the goal of promoting their development. In 1991, Italy became the first to create a legal form of "social cooperative" status that has been successful in increasing the number of this type of organization. The law distinguishes between two types of social cooperatives: those delivering social, health, and educational services, called "type A" social cooperatives, and those providing work-integration for disadvantaged people, called "type B" social cooperatives. In 2006, an Italian law on social enterprise was enacted that opened this label to various legal forms (not just social cooperatives) and fields of activities, provided that the organization complied with the nondistribution constraint and involved certain categories of stakeholders, including workers and beneficiaries. In Portugal, Greece, Spain, and France, these new legal forms are of the cooperative type. Portugal created the "social solidarity cooperative" in 1998, and Greece created the "social cooperative with limited liability" in 1999. As for Spain, a national law created the label of "social initiative cooperative" in 1999. Any type of cooperative providing social services or developing an economic activity working toward the work integration of socially excluded persons can use this label. Twelve autonomous regions in Spain have since developed their own legislation linked to this national law. France introduced the "société co-opérative d'intérêt collectif" in 2002. In Belgium, the "social purpose company" legal framework, introduced in 1996, does not focus on the sole

cooperative tradition, although it is often combined with it. Most recently, the U.K. approved the "community interest company" in 2004. Less than two years after its implementation, the number of community interest companies reached one thousand.

Some of this legislation, including the new French laws, was supported by the European Commission's Digestus Project, which began in October 1998. The project proposes legal changes to member states with the goal of promoting social enterprise along the Italian model of cooperative enterprise (Lindsay et al., 2003). All of these countries' legal forms define social enterprise by the social purpose of the company and its limited way of distributing profit. All of them except the U.K. also define a specific governance model regarding the involvement of various stakeholders and the democratic decision-making process of the board. For example, in Italy, the 1991 Law 381 established the social cooperative with three main categories of share/stakeholders: lending or funding members (65 percent), volunteer members (20 percent), and beneficiary/user members (5 percent) (Thomas, 2004). The French legal form of the "société coopérative d'intérêt collectif" also defines a multi-stakeholder strategy (see Lindsay & Hems, 2004).

SUPPORTIVE INSTITUTIONS

In Europe, the institutional environment for strategic support of social enterprise is more tied to regional or national government and European Union support for the subject than in other world regions.² While the various legal forms are open to a wide spectrum of social purposes, almost all the specific public programs and public financing linked to social enterprises are focused on the work-integration social enterprise (WISE).

Indeed, the institutionalization of WISEs has to be studied in the context of the boom of active labor policies. During the 1980s, public bodies, faced with high rates of unemployment and a crisis of public finances, developed active labor policies that tried to integrate the unemployed into the labor market (through professional training programs, job subsidy programs, etc.) instead of relying only on passive labor policies based on a system of allocation of cash benefits to the unemployed. In this context, it seems that WISEs have increasingly represented a tool for implementing these active labor market policies, a kind of "transmission belt" of active labor market policies. Indeed, they were pioneers in promoting the inte-

gration of excluded persons through productive activities. The first *WISES* actually implemented active labor policies before such policies institutionally came into existence.

However, we can observe that, at least in the beginning of the public institutionalization of *WISES*, some countries that are characterized by a long tradition of social policies and active labor policies, such as Sweden and Denmark, used types of programs other than employment programs to sustain such pioneering initiatives; one example is the "social development program" in Denmark. In other cases, the *WISES*, whose main target groups are disabled people, have also been recognized through traditional social policies. In some countries, such as the United Kingdom or Spain, where welfare spending is generally lower and labor policies in particular are less developed, pioneering initiatives received little or no public support.

The 1990s saw the development of specific public programs targeting social enterprise in many countries. This recognition by public authorities of the integration through work performed by social enterprises usually allows more stable access to public subsidies, but in a limited way. Usually only temporary subsidies are granted to start the initiative and to compensate for the "temporary unemployment" (i.e., the difficulty in obtaining employment due to the deterioration of a person's skills following his or her extended absence from the labor market) of the workers. Examples of public programs on the national level include "empresas de inserção" in Portugal, "entreprise d'insertion, association intermédiaire" in France, the "social economy program" in Ireland, and social enterprise in Finland. On the regional level there have been public programs such as "enterprise d'insertion," "entreprise de formation par le travail," and "sociale werksplaats" in Belgium, and "empresas de insercion" in Spain. In 2006, Poland also passed an Act on Social Cooperatives specifically intended for the work integration of groups in particular need, such as ex-convicts, the long-term unemployed, disabled persons, and former alcohol or drug addicts. In 2007, Spain's national parliament passed a law on work-integration enterprises. It should be noted that these different pieces of legislation do not define any new legal form; rather, they create a tool, like an official register, for social enterprises.

In some countries, the persistence of a social economy sector or cooperative sector that still maintains some of its original features influences the environmental perception of these new social enterprises and the building

of organizational identities and institutions along this tradition (Bode, Evers, & Schultz, 2006). The influence has been reciprocal: the emergence of these social enterprises, whose official recognition was in some respects made easier by the existence of a social economy or cooperative sector, has often brought new life into this sector. For example, the development of new public programs targeted at social enterprise in the field of work integration fostered the creation of social economy units inside public authorities at the national or regional level in Belgium, France, and Ireland. In Sweden, the minister of the social economy, whose existence is probably linked to the tradition of a cooperative movement in this country (Stryjan, 2004; Hulgård, 2004), supports the development of new social enterprises, even though there is no official accreditation of them.

In the United Kingdom, the Blair government launched the Coalition for Social Enterprise and created a Social Enterprise Unit in the Department of Trade and Industry (DTI) to improve knowledge about social enterprises and, above all, to promote the development of social enterprises throughout the country. The Social Enterprise Unit is specifically responsible for implementing a three-year program called "Social Enterprise: A Strategy for Success." The objective is to create a supportive environment for social enterprise through a coordinated effort by DTI, regional development agencies, government offices, and local government. This unit also makes tax and administrative regulatory recommendations for social enterprises and supports public and private training and research in the area (DTI, 2004). In 2006, this social enterprise unit was transferred to the cabinet office, where it was linked with government responsibilities for the voluntary sector.

Another way for public authorities to support the mission of social enterprises is by contracting out the provision of goods or services (Laville, Lemaire, & Nyssens, 2006). Indeed, sales to public bodies can be organized in different ways. One way is that of traditional market sales, organized, for instance, through traditional calls for bids where the offer with the lowest price for the level of quality required is chosen. A second way is that of sales motivated by "social criteria" (Gardin, 2006). On the one hand, in small markets, usually with local public bodies, sales motivated by "social criteria" can occur in a discretionary way: the public bodies simply "privilege" some social enterprises they know when they have to buy a product or a service in order to support them and their social mission. These types of sales motivated by a social mission can occur when the

amount of the market is, in financial terms, lower than the threshold established by the European Community law; public bodies are then allowed to contract directly with social enterprises without issuing a call for tender. On the other hand, in the case of more important markets, some social dimensions can be introduced in these public markets. For example, they can be introduced in the form of social clauses that allow calls for bids of other types of criteria than market criteria, such as the importance of the integration of disadvantaged workers (Navez, 2005). Thus, there are regulated and unregulated ways to support social enterprises.

The European Union (EU) has also been a strong actor in promoting research through programs developed by the Directorate-General for Research and providing program support for social enterprise. The EU views social enterprise as a business model that can simultaneously address issues of economic growth, employment, and quality of life (Thomas, 2004). The European Commission's Directorate-General for Enterprise has supported social economy enterprises such as cooperatives and mutuals since 1989 and is currently focusing on their "enterprise aspects." The Directorate-General for Enterprise supports research, helps draft European Union statutes, consults with organizations, and forges links with public officials in member countries who are working on regulation in this area (European Union, 2004). The European Union also provides financial support for social enterprise in individual member countries. Ireland is an example of a country in which the EU has been especially active. Beginning in 1992, Ireland received a Global Grant from EU Structural Funds "to support local development and enterprise initiatives and to promote integrated economic, social, and community development of local areas" (O'Hara, 2001, p. 156). The EU LEADER program for rural development provided similar support. Other EU initiatives in Ireland provide direct and indirect support for local social enterprise, including INTEREG, NOW, INTEGRA, and URBAN. As O'Hara summarizes, "This support for local development has either helped to create the conditions for the emergence of new social enterprises or has afforded existing enterprises the opportunity to broaden or consolidate their activities through participation in such programs" (2001, p. 156).

Membership organizations for social enterprises are emerging along with the rise of social enterprise. For example, in the U.K. between 1997 and 2003, several umbrella organizations of social enterprises or social

entrepreneurs were established (Grenier, 2003), including the Community Action Network, Social Enterprise London, and the Social Enterprise Coalition. The Community Action Network is a membership association for social entrepreneurs that is roughly equivalent to the United States-based Social Enterprise Alliance. It is oriented broadly on the promotion of social entrepreneurship, especially the exchange of ideas. The Community Action Network states, "We focus on the practical delivery of the social entrepreneurial approach, whilst continuing to stimulate government, public and private sector thinking, both on the method and the importance of this approach for social regeneration" (Community Action Network, 2004). The Social Enterprise Coalition is a national network of social enterprises located in the social economy.

The development of such umbrella organizations can be seen in all European countries. They can have key roles in negotiating contracts either with private enterprises or with public bodies, in exchanging best practices not only at the national level but also between different European countries, and in interacting with public bodies for the construction of specific public programs. Indeed, public policies in this field are the result of interactions between social actors, particularly between the promoters of social enterprises and representatives of the public bodies. In other words, public programs are not the result of top-down processes only; they are the result of a co-construction between representatives of social enterprise and those of public bodies (Laville, Lemaître, & Nyssens, 2006).

In Europe, initial research on social enterprise was conducted almost exclusively in social science departments. Much attention was placed on the contribution of these organizations to the work integration of the unskilled and to care services. Now, however, some business schools, such as the Skoll Centre in the Oxford business school, have begun to explore the field through a focus on social entrepreneurship (Nicholls, 2006). There is also a concerted effort in Europe, through the work of the EMES Research Network described previously, to unify definitions and research on social enterprise in European Union countries (Defourny, 2001; Nyssens, 2006; Defourny & Nyssens, 2009). Current research also includes the development of theoretical approaches to the study of social enterprise: this work that often draws on economic theory (Bacchiaga & Borzaga, 2001; Laville & Nyssens, 2001b; Sacconi & Grimalda, 2001; Badelt, 1997) and sociology and political science theory (Evers, 2001; Evers & Laville, 2004).

ANALYSIS AND CHALLENGES

How should the role of social enterprises be analyzed in the different welfare state contexts of European countries? Are they a sign of a retrenchment of the welfare state? The answer is complex and naturally varies depending on the welfare state model and its existing relationship with the third sector.

European welfare states have a long tradition of partnership with third sector organizations, even if the relationships vary according to the type of welfare mix (Evers & Laville, 2004). In corporatist states like Germany, France, and Belgium, there is a lasting tradition of partnership in the provision of social services between the state and associations (Salamon & Anheier, 1998; Laville & Nyssens, 2001a). Associations have often taken a pioneering role in clearing the way for meeting emerging social needs. Later, public authorities arrive to regulate their activities, providing financial support, among other things. Therefore, associations still retain an important role in the provision of social services in these corporatist models, beyond the phase of social innovation. The state has to respect the autonomy and the role of associations and support them in achieving their objectives that are linked to the public good. In the Nordic model of the welfare state, the state is responsible for regulating and providing social services. The key role for associations in this social democratic model is advocacy rather than service provision. Finally, scientists usually classify the U.K. as a liberal model (Salamon & Anheier, 1998). In this model, a lower level of government social spending is associated with a relatively large voluntary sector, and the public sector provides less financial support to voluntary organizations than in the corporatist model. However, in the U.K. the situation is mixed. Indeed, the experience of the two World Wars led national public authorities to develop various social programs with universal coverage, and charities were supported through public subsidies (Lewis, 1999). This approach was challenged in the 1970s and 1980s by a new public management approach that stressed quasi-market design to increase efficiency in service provision. With the development of the compact framework in the late 1990s, the types of relationships between the state and the voluntary sector were once more at issue. Indeed, this agreement between the public authorities and the voluntary sector recognizes the specific role of the voluntary sector as complementary to the state in the development and the provision of public policies and services (Craig, Taylor, & Carlton, 2005).

Does the recent trend in the development of social enterprises affect the nature of relationships between third sector organizations and public bodies? It seems that it is not the level of social expenditures that is challenged but the instruments through which government supports social enterprises in particular and third sector organizations more generally. More and more, public money across the different models of the welfare state takes the form of contracts and third-party payments instead of grants. Public policy is looking to increase efficiency by introducing competition among different types of providers using quasi-market logic. As a result, social enterprises, for-profit enterprises, and public organizations are increasingly on equal footing regarding contracts. The key question is whether social enterprise can preserve its social innovation role in this type of financing framework. Regarding this question, the discussion around the compact in the U.K. could be seen as a way of recognizing the specific voluntary sector role in social innovation, which was somewhat denied in the quasi-market logic implemented through the new public management model in the 1980s.

In the Nordic countries, the emergence of social enterprise is a sign of an increasing collaboration between the third sector and public bodies. This is quite a new phenomenon for these countries, where the third sector is traditionally viewed as having an advocacy role rather than a service-provider role. In countries where welfare provision of services was low, such as Italy, social co-ops pioneered the implementation of active labor policies and the delivery of some social services before their existence in governmental programming. If social enterprises addressed particular areas for which the welfare state had not been able to meet demand, we cannot attribute their development to a reduction in social services. Instead, we can attribute their development to new forms of partnership and funding strategies with the third sector whose advantages and drawbacks have to be carefully evaluated.

Social enterprise in Europe faces a set of challenges that stem from Europe's historical approach to social enterprise. Many observers' largest concern is the narrow range of services currently supported by social enterprises. Having become associated with work integration and, to a lesser extent, personal social service provision, social enterprise is being underutilized as a viable strategy for supporting other nonprofit activities (Borzaga & Defourny, 2001a).

This problem stems from the difficulty of reconciling social enterprise

views with those of public bodies due to the contested nature of the mission of social enterprises (Bode, Evers, & Schultz, 2006). Active labor policies increasingly constitute the framework within which social enterprises are developed, and as such, they somewhat frame the objectives and actions of social enterprises. Public programs tend to recognize the social mission in the field of work integration in a rather narrow way, but social enterprises usually have a much more complex blend of goals (Evers, 2001). This blend of goals includes three different categories (Campi, Defourny, & Grégoire, 2006): social goals, connected to social enterprises' particular mission to benefit the community, which is not restricted to work integration of excluded workers; economic goals, connected to the entrepreneurial nature of social enterprises; and sociopolitical goals, connected to the fact that social enterprises come from a sector traditionally involved in sociopolitical action. This last goal can be included in the wider perspective of producing social capital. Concretely, the achievement of the "social capital goal" by social enterprises may appear not only in the will to cooperate with many economic, social, and political actors through the development of various networks, but also in the implementation of democratic decision-making processes in specific working conditions (e.g., little hierarchy, participation of the workers, trust atmosphere, etc.), and in the promotion of volunteering, and so on (Davister, 2004). As a matter of fact, within these organizations, the production and mobilization of social capital can be goals in themselves and not merely instruments for achieving other objectives (Evers, 2001).

The difficulty of valorizing their multiple-goal missions explains, on the one hand, why some pioneering initiatives chose not to adopt these social enterprise-specific public programs; this is the case with "local development" initiatives in Ireland that did not adopt the "social economy" program. On the other hand, it should be noted that if public programs encourage some initiatives, they also exclude others. In France, for instance, the institutionalization process recognized and favored initiatives launched by professional and associative militant actors aiming to integrate disadvantaged populations through work opportunities, whereas the initiatives originating from these populations themselves were in most cases neglected. In other countries, such as Portugal, work-integration social enterprise emerged with the creation of a specific public program, partly under the pressure of the "national plans for employment" developed within the framework of the European Commission. These organiza-

tions are only weakly embedded in the social fabric and rely on a public program that appears somewhat artificial (Perista & Nogueira, 2004).

In a context where the sector of services (more specifically, that of personal services) is on the rise—for example, through the development of voucher systems—the analysis of the specific characteristics of social enterprises must go beyond the field of work integration. Indeed, personal services are provided by a variety of operators, including for-profit private enterprises, traditional nonprofit bodies, social enterprises, and public sector organizations, which have specific organizational forms and modes of governance. The development of these services generates many expectations based on the collective benefits they can produce. These expected benefits include equity and the creation of high-quality jobs. Therefore, it is important that the question of the value added to models of social enterprises, which are driven by their explicit goal of benefiting the community, be studied more thoroughly in the European context.

EXAMPLE I: THE GROUPE TERRE

Overview

The Groupe Terre, located in Belgium, is an association of social enterprise organizations that serves two key purposes. The first purpose is the creation of jobs for unemployed and underprivileged workers in Belgium. The second is the support of sustainable development projects for disadvantaged groups in both the Northern and Southern Hemispheres. The Groupe Terre has decentralized many management functions, giving some of them to the underprivileged workers for whom it provides jobs. A weekly program provides consultation services, training, and professional education to these workers involved in the group's decision-making process.

Structure

The Terre ASBL NPO legal form in Belgium manages most of the commercial activities of the Groupe Terre and thus also contains the General Assembly, which has final decision-making authority for the entire organization. This General Assembly is composed of Groupe Terre employees who have been on staff for at least one year. Inclusion in the assembly is voluntary. At present, the seventy-five employees who meet these requirements and ten outside volunteers assemble three times annually to make strategic decisions for the group as a whole.

Activities

All social enterprise activities of the Groupe Terre are organized under the Wallonia Project, aimed at providing approximately 280 underprivileged workers with stable jobs, training, and educational opportunities; most of these workers collect and recycle secondhand clothing, paper, and cardboard.

Two enterprises in Groupe Terre, Récol' Terre safes (a social purpose company) and Tri-Terre safes, organize the collection and sorting of paper and cardboard. The latter organization, Tri-Terre safes, has partnered with a private operator. This partnership has allowed the social enterprise to sustain production and increase employment.

Two other social enterprise companies within the Groupe Terre are Pan-terre and Co-terre safes, manufacturers of insulation material made from recycled paper and straw by means of a process that does not use any resins or chemicals. The patents and licenses behind the product and its production process were developed by the group.

The Autre Terre ASBL is the NGO of the group. It manages development projects in the Southern Hemisphere, population education initiatives in the Northern Hemisphere, and a new project that researches potential development activities for the group. The Groupe Terre currently supports a dozen projects throughout the Southern Hemisphere in which the group partners with local cultures to adapt the sustainable social enterprise model, which provides employment and sustainability. Development workers from the group often serve as indispensable links between the workers of Groupe Terre and those of the Southern Hemisphere projects, helping to nurture cross-cultural worker solidarity. The Autre Terre ASBL draws support from donations and the work of volunteers in addition to income generated from the Groupe Terre's other enterprises. The Belgian General Direction to Cooperation and Development (DGCI) and other regional bodies also provide substantial financial support, comprising 75 percent of the total budget.

The Future

The environmental sector is subject to greater competition from service multinationals. As such, new projects of the Groupe Terre have been limited by the challenges of maintaining current employment levels. Though preserving existing jobs is as important and difficult as creating jobs, such efforts are rarely recognized by European, federal, or regional directives.

EXAMPLE 2: SOCIAL COOPERATIVES OF THE CONSORZIO PER L'IMPRESA SOCIALE³

More than twenty years ago, the Italian government began to implement a plan for the deinstitutionalization of state psychiatric hospitals. An innovative young psychiatrist, Dr. Franco Basaglia, was given the task of closing the large state hospital in Trieste and establishing necessary placements in the community for former patients (called consumers). Basaglia and the consumers quickly came to believe that finding jobs would be the best way to integrate the consumers into Triesten society. Unfortunately, the citizens of Trieste discriminated against the consumers by denying them employment. Basaglia, not easily daunted, decided to look for more innovative means of employment.

During this same time period, the direct care employees at the hospital were earning very poor wages, and many of them were forced to take on second jobs to subsidize their incomes. These second jobs ranged from carpentry and small agricultural enterprises to more skilled work, such as bookbinding. Basaglia began to encourage these direct care workers, who were also more open to interacting with people with psychiatric disabilities, to employ consumers to assist them in their second jobs. In a short time, a few of the small enterprises began growing into larger businesses. More and more consumers were employed as these businesses became successful. As the need for space for these growing businesses began to grow, Basaglia arranged for empty hospital wards to be renovated into office and manufacturing space. The old state hospital's central location, accessible by public transportation, proved ideal for these purposes.

The environment, today called the "business park," no longer bears any resemblance to a hospital. The park's small businesses are run as six "social cooperatives," and consumers are full partners in the enterprises. Employees are organized into small unions, better known as guilds, and a majority of the partners must be consumers. Out of the four hundred partners in these cooperatives, half have psychiatric disabilities. Furthermore, there are more than sixty trainees, whose wages are equal to those of their fully employed colleagues. The cooperatives all belong to the Consorzio per l'Impresa Sociale, a special association established in 1991 to support their administrative and corporate functions, and all of the cooperatives operate under free-market principles. Over the years, these social cooperatives have expanded from carpentry and agricultural ventures to

include high-tech businesses and enterprises requiring highly skilled labor. Here are descriptions of the six social cooperatives:

1. The *Lavoratori Uniti Cooperative*, founded in 1972, is the oldest cooperative and now employs more than 120 workers and has annual revenue of about 3 billion lire. This cooperative provides various services, including transportation, cleaning, and bookbinding.
2. The *La Collina Cooperative Sociale* is considered the artistic cooperative because it works in the fields of photography, graphics, theater, video, and carpentry. In the carpentry division, furniture is manufactured for schools and hospitals. There are only eight persons in this cooperative, all of whom are consumers, and their revenues exceed 2 billion lire a year.
3. The *Il Posto Delle Fragole Cooperative* provides tourist services throughout Trieste, operates several restaurants, runs a hotel on the seaside, manages several pubs, and runs a hairstyling center. There are twenty-one members, of whom eleven are consumers.
4. The *Crea Cooperative Sociale*, the most recently established cooperative, operates a building renovation business.
5. The *Agricola M.S. Pantaleone Cooperative* works in the gardening sector. In addition to contracting with various businesses and private homeowners, this cooperative also contracts to care for the campus of the business park.
6. The *Agenzia Sociale* assists persons experiencing psychiatric and/or drug addiction problems. In addition to selected case management tasks, this cooperative also provides in-home health services.

By law, none of the cooperatives may share its profits with the various partners or stakeholders. Rather, all profits are reinvested into the cooperative and therefore are not subject to taxes. At the same time, the partners are the legal owners. When new partners join a cooperative, they pay an associative fee, which is returned if they depart from the cooperative. The sum of all of the partners' shares makes up the company's capital. In other words, all of the partners are entrepreneurs and run the risk of losing their investment. Also, all of the partners have one vote each, regardless of how many shares they own. At an annual Board of Directors meeting, the officers are elected, and it is mandatory that the majority of the officers be active working partners with psychiatric disabilities.

Italian Law 381 governs the cooperatives, defining them as "corporate

entities" aimed at "pursuing the general interests of the community in human promotion and social integration, by managing different activities, with the aim of providing jobs for disadvantaged people." Today, the six social cooperatives thrive economically and serve as a symbol of the consumer's ability to pursue entrepreneurial efforts and participate in a competitive marketplace.

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NOTES

1. For a discussion of this concept see Defourny (2001).
2. This section is developed more fully by Laville, Lemaire, and Nyssens (2006).
3. The Italian example is adapted from Goegren (n.d.).

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