Routledge Studies in the Management of Voluntary and Non-Profit Organizations
Series Editor: Stephen P. Osborne

1 Voluntary Organizations and Innovation in Public Services
   Stephen P. Osborne

2 Accountability and Effectiveness Evaluation in Non-Profit Organizations
   Problems and prospects
   James Cott and Vic Murray

3 Third Sector Policy at the Crossroads
   An international non-profit analysis
   Holmam K. Anheier and Jeremy Kendal

4 The Emergence of Social Enterprise
   Edited by Carlo Bozaga and Jacques Defourny

5 Charity Shops
   Retailing, consumption and society
   Suzanne Horne and Avril Maddrell

6 The Governance of Public and Non-Profit Organisations
   What do boards do?
   Edited by Chris Cornforth

   Also available from Routledge:
   The Management of Non-Governmental Development Organizations
   An Introduction
   David Lewis

   Financial Management in the Voluntary Sector
   New Challenges
   Paul Palmer and Adrian Randall

   Strategic Management for Nonprofit Organizations
   Roger Courtney

The Emergence of Social Enterprise

Edited by Carlo Bozaga
and Jacques Defourny

with the assistance of Sophie Adam
and John Callaghan
Contents

List of illustrations viii
Notes on contributors ix
Acknowledgements xii

Introduction: from third sector to social enterprise 1
J. Defourny

PART I Social enterprises in the fifteen EU countries 29
1 Austria: social enterprises and new childcare services 31
K. Leichsenring

2 Belgium: social enterprises in community services 47
J. Defourny and M. Nyssens

3 Denmark: co-operative activity and community development 65
S. Bengtsson and L. Hulgård

4 Finland: labour co-operatives as an innovative response to unemployment 82
P. Pattiniemi

5 France: social enterprises developing ‘proximity services’ 100
J.-L. Laville
PART II
Social enterprises: a theoretical perspective 271

16 Social enterprises as incentive structures: an economic analysis 273
   A. BACCHIEGA AND C. BORZAGA

17 The significance of social capital in the multiple goal and resource structure of social enterprises 296
   A. EVERS

18 The social enterprise: towards a theoretical socio-economic approach 312
   J.-L. LAVILLE AND M. NYSSSENS

19 Management challenges for social enterprises 333
   C. BORZAGA AND L. SOLARI

Conclusions: social enterprises in Europe: a diversity of initiatives and prospects 350
   C. BORZAGA AND J. DEFOURNY

Index 371
Illustrations

Tables

1.1 Childcare facilities in Vienna: places, employed staff and turnover, 1997 39
1.2 Parents' monthly contributions for forty hours of care per week, 1997 40
1.3 Shares (%) of funding with respect to the overall costs of different providers in Vienna, 1997 41
4.1 Development of worker and labour co-operatives in Finland, 1993–1998 88
4.2 Public sector's income from labour co-operatives in the Kainuu region, 1997 92
4.3 Net impact of labour co-operatives on the public budget in the Kainuu region, 1997 92
4.4 Training needs of new co-operatives 94
9.1 Changes in composition of the membership of 260 social co-ops 175
9.2 The CGM composition and structure 177
13.1 Characteristics of foundations and associations 224
14.1 Income of BBBs, 1996 246
14.2 Income and expenditure of BBBs, 1996 247
14.3 Workers in BBBs, 1997 248
15.1 Commercial possibilities and type of provider 264

Figures

1 Social enterprises at the crossroads of co-operatives and the non-profit sector 22
2 The welfare triangle of childcare in Austria 38

Contributors

Alberto Bacchiega is a research student at the University of York and a research fellow at the University of Trento and ISSAN. His research interests include the theory of industrial organisation, incomplete contract theory and the study of non-profit and co-operative organisations.

Eugène Becker is a teacher of economics in Luxembourg. He is involved in associations which fight social exclusion and a chairman of the co-operative Ca-labor since 1998. His main interests are the relations between political economy and social exclusion.

Steen Bengtsson is a senior researcher at the Institute of Social Research in Copenhagen and assistant professor at Roskilde University. He has specialised in the organisation of social services and relations between citizens and system.

Carlo Borzaga is a professor of economics at the faculty of economics and president of ISSAN at the University of Trento. His main research interests are the political economy of labour market policy and the non-profit sector, with particular reference to the related questions of employment and service supply.

Nikos Bouzas is a researcher in the Institute of Social Policy at the National Centre for Social Research, Athens. His research focuses on issues related to employment and vocational training policies and measures including methods of evaluation.

Jacques Defourny is a professor of economics at the University of Liège and director of the Centre d'Économie Sociale. He is also the founding co-ordinator of the EMES European Network formed for the research project which gave birth to the present book. He mainly works on economic analysis of co-operatives and associations, work-integration social enterprises and conceptual approaches of the third sector in industrialised as well as in developing countries.

Paul Delaunois is the manager of the co-operative Ca-labor in Luxembourg. He is also the co-ordinator of a European network working on the 'Mobility
behaviour of the victims of social exclusion'. His main interests are integration policies and the development of the third sector.

Adalbert Evers is a political scientist. He is a full professor for comparative health and social policy at the University of Giessen and is one of the directors of the Institut für Sozialforschung in Frankfurt am Main. His research activities deal with the third sector, the welfare mix as well as social services; a special focus of his social policy research is on issues of civil society and democratic governance.

Lars Hulgård is an associate professor at the Department of Social Sciences, Roskilde University in Denmark. His research focuses on social change, innovative trends in social policy, social entrepreneurship and evaluation.

Maria Ketssetzopoulou is a researcher in the Institute of Social Policy at the National Centre for Social Research, Athens. Her research deals with issues related to income inequality, exclusion from the labour market and flexible employment.

Jean-Louis Laville is a sociologist, researcher at the National Centre of Scientific Research in Paris and founding president of the Centre de Recherche et d’Information sur la Démocratie et l’Autonomie. He is mainly interested in economic sociology in contemporary societies, directing a collection called ‘economic sociology’ in the publishing house Desclée de Brouwer and teaching such an approach in various universities in Paris.

Kai Leichsenring is a senior research fellow and consultant at the European Centre for Social Welfare Policy and Research in Vienna. His main research interests are personal social services, ageing and care policies. He is also working as a consultant in organisation development of public administration and non-profit organisations.

Marthe Nyssens is a professor in the Department of Economics and coordinator of a research team on social and non-profit economics at the Centre de Recherche Interdisciplinaire sur la Solidarité et l’Innovation Sociale at the Catholic University of Louvain. She works mainly on the third sector and evaluation of social policies.

Patricia O’Hara is research associate with the Centre for Co-operative Studies, University College Cork and, since 1999, senior policy analyst with the Western Development Commission (a new agency for regional development in Western Ireland). Her main research interests are regional and local development, social exclusion and associated issues.

Pekka Päättiniemi is a development manager and a member of the management board of the Institute for Co-operative Studies at the University of Helsinki. His research focuses on the development and management of employee-owned businesses and social enterprises.

Heloísa Perista, sociologist, is a senior researcher and the director of the Centro de Estudos para a Intervenção Social. She has a wide research experience in fields such as ageing and elderly people, equal opportunities, migration dynamics, local employment initiatives and social economy.

Piet H. Renooij is co-founder and managing director of Regioplan, an independent research agency. He has specialised in social security and all forms of irregular labour like black labour, voluntary labour and subsidised labour.

Alceste Santuari is a senior lecturer in non-profit (comparative) law and director of ISSAN at the University of Trento. His main research interests comprise legal, organisational and tax problems of non-profit entities and companies at large, with particular reference to international comparison.

Matthias Schulze-Böing is head of the Department for Economic Development, Employment and Statistics, City Council of Offenbach am Main.

Luca Solari is assistant professor of organisation and human resource management at the University of Trento and researcher at ISSAN (Research Institute on Non-profit Organisations) in the same university. He is involved in research projects on the evolution and change of organisational forms both at macro (population) and micro (individual) level.

Roger Spear is chair of the Co-operatives Research Unit and teaches systems in the Centre for Complexity and Change, Open University, Milton Keynes. He also chairs the International Co-operative Alliance Research Committee.

Yohanan Stryjan is a sociologist and professor of business administration at Södertörns Högskola, South Stockholm. He works mainly on organisational theory perspectives, institutional transformation and social entrepreneurship.

Isabel Vidal is a professor in the Business School and funding director of the research centre of Citizenship and Civil Society at the University of Barcelona. She is president of Centre d’Iniciatives de l’Economia Social. Her main research interests are labour market policy and job creation, economic theory of the third sector and related questions of delivering personal services and social audit.

Dimitris Ziomas is a researcher in the Institute of Social Policy at the National Centre for Social Research, Athens. His research covers issues related to labour market policies, human resources development, social policy and the social economy in Greece.
Acknowledgements

This book represents the results of work undertaken within the ‘Targeted Socio-Economic Research’ (TSER) programme of the European Commission (DG XII). Researchers from all EU countries formed the EMES Network, which worked from the summer of 1996 until the end of 1999 on ‘the emergence of social enterprises in Europe’.

We want particularly to thank Enzo Pezini from CECOP (Brussels) who provided outstanding assistance to Jacques Defourny in the co-ordination of the Network. He took charge of all the administrative and technical matters related to the project. Moreover, he organised all the joint work sessions, which were held twice yearly throughout Europe.

We are also grateful to Sophie Adam (Centro d’Economia Sociale, Liège) who did a heroic job as editorial assistant for the preparation of this volume. The final product owes much also to John Callaghan and Patricia O’Hara who carefully executed the final linguistic editing. Our thanks also go to Roger Spear who generously assisted in the early stage of the book’s preparation.

Finally, we wish to express our thanks to all the organisations and enterprises that were visited or surveyed in each country. What they allowed us to discover and analyse made our joint research so stimulating that the EMES Network has decided to continue as a specific European scientific network and to launch other common research projects (www.emes.net).

Carlo Borzaga and Jacques Defourny

Introduction

From third sector to social enterprise

Jacques Defourny

Introduction

In almost all industrialised countries, we are witnessing today a remarkable growth in the ‘third sector’, i.e. in socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector. These initiatives generally derive their impetus from voluntary organisations, and operate under a wide variety of legal structures. In many ways they represent the new or renewed expression of civil society against a background of economic crisis, the weakening of social bonds and difficulties of the welfare state.

The importance of the third sector, which is often called the ‘non-profit sector’ or the ‘social economy’, is now such that it is broadly associated with the major economic roles of public authorities. The third sector is involved in the allocation of resources through production of quasi-public goods and services. It has a redistributive role through the provision of a wide range of (free or virtually free) services to deprived people via the voluntary contributions (in money or through voluntary work) which many associations can mobilise. This sector is also involved in the regulation of economic life when, for example, associations or social co-operatives are the partners of public authorities in the task of helping back into work poorly qualified unemployed people, who are at risk of permanent exclusion from the labour market.

The persistence of structural unemployment in many countries, the need to reduce state budget deficits and to keep them at a low level, the difficulties of traditional social policies and the need for more active integration policies have naturally raised the question of how far the third sector can help to meet these challenges and perhaps take over from public authorities in some areas. Of course there is no simple answer to this question, and the debate is still wide open. Some commentators regard associations as made-to-measure partners for new transfers of responsibility and parallel reductions in public costs. The qualities usually attributed to private enterprise (flexibility, rapidity, creativity, a willingness to take on responsibility, etc.) are expected to lead to improvements in the services provided. Others fear that the third sector will become an instrument for privatisation policies, leading to social deregulation and the gradual unravelling of acquired social rights. Yet others stress the fact that advanced industrial
societies are moving towards a redefinition of relationships between the individual, the intermediate structures of civil society and the state. In any case, we are probably moving from a welfare state to a new welfare mix where responsibility should be shared among public authorities, for-profit providers and third-sector organisations on the basis of strict criteria of both efficiency and fairness.

In the crucial debate on the place and role of the third sector, the aim of the present work is to expose and analyse a major impetus in this little-known area of our economies, i.e. the increasing numbers of economic initiatives we will call "social enterprises", which bear witness to the development, throughout Europe, of a new entrepreneurial spirit focused on social aims. But let us be quite clear. The social enterprises we are about to discuss are new entities which may be regarded as a subdivision of the third sector; but they also set out a process, a new (social) enterprise spirit which takes up and refashions older experiences. In this sense they reflect a trend, a groundswell involving the whole of the third sector. This work hopes to offer insights, which will enrich and even renew, at least in part, existing approaches to, and analyses of, this third sector.

Before discussing the notion of social enterprises, we need to set out the main approaches developed over the last quarter of a century in order to have a grasp of the situation in the third sector. In this perspective, we first point out the main steps, which led the scientific community to rediscover the third sector as a whole in the last decades (section 1). The two subsequent sections are devoted to two major (already mentioned) conceptual frameworks which were built on the basis of this growing interest, i.e. the notions of the social economy (section 2) and the non-profit sector (section 3). We also try to identify clearly the convergences and divergences of these two approaches (section 4) and the kinds of limitations they may have, especially in capturing the dynamics currently being witnessed within the third sector (section 5). Indeed, as we will argue, the innovative features which can be observed may be regarded as a new social entrepreneurship (section 6) and this leads us to propose a definition of the social enterprise, namely the one which has been used as a working basis for the whole joint research project which gave birth to this book (section 7). We then show that such a conceptual basis enabled us to identify a wide variety of social enterprises in all EU countries (section 8). Focusing on a limited number of these initiatives, we present the main questions which have guided the in-depth analysis undertaken by researchers in each of the fifteen countries and which have been discussed within this European scientific network (named the EMES Network) throughout all joint sessions held during the four years of the project (section 9). These questions may be considered as the red line of all the country chapters that form the first major part of the book. They also represent the point of departure of the theoretical contributions, that constitute the other major part of the book, as explained in the final section of this general introduction.

1 The (re)discovery of the third sector

For a long time, there have been scientists interested in economic initiatives of a "third type" that belong neither to the for-profit private sector nor to the public sector. A rich literature has developed throughout the twentieth century about co-operatives, an enterprise type organised according to specific co-operative principles which has spread to all parts of the world. In the late 1960s, workers' co-operatives and the so-called "labour-managed firms" even entered the heart of neo-classical economics and gave birth to a widely respected theoretical and empirical corpus. In other disciplines, like sociology, a lot of research on voluntary organisations has been undertaken since the middle of the century.

However, the idea of a distinct third sector, made up of most enterprises and organisations which are not primarily seeking profit, and which are not part of the public sector, really began to emerge in the mid 1970s. Such organisations were already very active in many areas and were indeed the subject of specific public policies. But the idea of bringing these bodies together and the theoretical basis on which this might be done had not really been put forward until then. As problems caused by the economic crisis deepened, awareness of the limitations of the traditional public and private sectors steadily grew. Against this background, the interest in other kinds of economic organisations was strongly reactivated, somewhat like the search for a "third way" of development between capitalism and state socialism by newly independent countries during the 1950s and 1960s, though on a different scale.

In the United States the work of the Filer Commission and, in 1976, Yale University's Program on Non-profit Organisations, involving 150 researchers, marked a decisive step in defining the theoretical basis of non-profit organisations (NPOs) and the non-profit sector. Since then, a vast scientific literature on NPOs has developed, with contributions from disciplines as diverse as economics, sociology, political science, history, and law.

In Europe, widely varying socio-political, cultural and economic national circumstances have not allowed such a wide-ranging and rapid awareness of the third sector to develop. However, the economic entities that gradually came to light through a third-sector approach were already important factors in most countries. They were also rooted in solid and long-standing traditions, insofar as mutual organisations and co-operatives had to some extent existed everywhere for more than a century, and association-based economic initiatives as well as self-help movements had also been increasing in numbers for some considerable time.

In fact, without denying that the general public's view is strongly characterised by the historical context of each country, it may be said that two theoretical approaches to the third sector gradually spread internationally, accompanied by statistical work aimed at quantifying its economic importance. One is the "non-profit sector" approach already mentioned. The other, French in origin, forged the concept of the 'social economy' to bring together co-operatives, mutual societies and associations (with increasing frequency, foundations are also included). Although the first view has the advantage of simplicity and the strength of a framework designed to grasp the US situation, the second approach has found an
ever-greater resonance throughout Europe and has been taken up by the
European Union's institutions.\textsuperscript{3}

Other theories of the third sector have also been developed internationally.
An example is the tri-polar approach which sees the economy in terms of three
poles, sometimes represented by three types of agents – private enterprise, the
state and households – (Evers 1995; Pestoff 1992), sometimes according to the
principles and methods by which exchanges are regulated – the market, public
redistribution and reciprocity – (Laville 1994) and in other cases according to the
types of resources involved (commercial, non-commercial or non-monetary). In
such a perspective, the third sector is viewed as an intermediate space in which
the different poles can combine. Because of their flexibility such approaches can
help to reconcile the notions of non-profit sector and social economy, and they
occupy an important place in the theoretical chapters of the present work. But
for now we shall confine ourselves to the first two lines of approach, and shall
examine their particular features, their points of convergence and their differ-
ences with a view to showing to what extent they can account for the social
enterprise phenomenon.

2 The concept of the social economy

Virtually all work on the social economy attempts to understand it on the basis of
its legal/institutional characteristics or by emphasising the principles that its
organisations have in common. As we discuss below, these approaches are
usually combined nowadays.

The legal/institutional approach

In most industrialised countries, third-sector enterprises and organisations may
be grouped into three major categories, viz. co-operative enterprises, mutual
societies, and those organisations which might generally be described as associ-
ations, whose legal form may vary considerably from one country to another. This
is an approach to the social economy which has deep historical roots. Or-
ganisations of this kind have existed for a very long time, although they have
only gradually been given legal recognition for activities based on the free associ-
ation of their members, which remained informal and sometimes even secret
throughout most of the nineteenth century. Although this way of looking at the
social economy originated in France, its relevance goes far beyond French
borders, since the three main components of the social economy are to be found
almost everywhere:

- Co-operative-style enterprises: from the middle of the nineteenth century, co-
operatives have spread internationally and they are now to be found
worldwide.\textsuperscript{8} The co-operative movement is like a great tree whose branches
continue to spread. There are agricultural co-operatives, saving and credit
co-operatives, consumers' co-operatives, insurance co-operatives, retail co-
operators, housing co-operatives and so on. A great deal of long-standing
co-operatives have developed in markets which became quite competitive; as
a result, they have been pushed to behave increasingly like their profit-
maximising competitors. However, most of them still keep some specific co-
operative characteristics and, even more importantly, in the last decades, the
co-operative movement has continuously been renewed by the emergence of
initiatives like workers' co-operatives in new fields of activity or social co-
operatives.

This first component of the social economy also covers various initiatives
that are not explicitly called co-operatives but which adopt closely related
rules and practices. This is especially true in developing countries, but also
holds good for industrialised countries where some enterprises, not set up as
co-operatives but having a social purpose, can also be categorised under this
heading (for instance the Spanish \textit{sociedades laborales}).

- \textit{Mutual-type organisations}: mutual help societies have existed in most places for
a very long time. In many cases, they have gradually been institutionalised
and in various industrialised countries they have become major players in
social security systems.\textsuperscript{9} However, the mutual component of the third sector
also includes many organisations of various types\textsuperscript{10} which cater for the need
of local communities to organise for themselves community insurance
systems, for instance in countries where social security systems are at an
early stage of development and only cover a small part of the population.
They may mutualise a wide range of risks, including health (costs of treat-
ment, medicines, and hospitalisation), death (material support for the family
of the deceased), funerals, and bad harvests or catches.

- \textit{Associations}: the freedom of association is formally recognised in most coun-
tries of the world but in a wide variety of legal forms and under more or less
favourable circumstances. In practice, this third component includes a lot of
advocacy organisations which may also be seen as providers of services to
their members, to other people (as Save the Children, for example) or to the
whole community (for instance Greenpeace). More generally it includes all
other forms of free association of persons for the production of goods or
services where making a profit is not the essential purpose. Obviously these
organisations have a wide variety of names, such as: associations, non-profit
organisations, voluntary organisations, non-governmental organisations,
\textit{ideel} associations, and so on. Foundations and some other country-specific
organisations (such as charities in the United Kingdom) are also often
considered under this heading.

Finally, let us stress that although this first line of approach to the social economy
is based on identifying major institutional types, it does not impose any great
degree of legal formalism. Certainly, for the purposes of assembling statistical
data, the legal status of these organisations is often an essential means of identifi-
cation. But depending on the point of view adopted, we can also include in these
three components a number of long-standing informal initiatives. This is a most
important point, since there are large numbers of de facto associations in industrialised countries and even more informal activities in the countries of the South, which appear to be of co-operative, mutual or associative type.

The normative approach

The second way of regarding the social economy consists of emphasising the principles that its organisations have in common. In other words, it is a matter of showing as precisely as possible why certain very different enterprises and organisations deserve the same designation, and in what common fashion they may be distinguished from the traditional private sector and the public sector.

This normative approach is crucial and cannot be considered as an optional complement to the first one. Doing this would convey a risk of opposing the long-established organisations which easily fit the main categories of the institutional approach to the newer third-sector initiatives which often refer more to specific values and practices than to legal forms.11

Today there is broad agreement that these common features relate to the productive purpose and to the internal structure of these organisations. There are several ways of defining the social economy, but the one which follows has the advantage of combining the legal/institutional approach already described with an affirmation of the values and principles which underpin the third sector (the normative or ethical approach). This definition, which is used in several countries, states that:

The social economy includes economic activities carried out by co-operatives and related enterprises, mutual societies and associations whose ethical stance is represented by the following principles:
- the aim of serving members or the community, rather than generating profit;
- an independent management;
- a democratic decision making process;
- the primacy of people and labour over capital in the distribution of income.

(CWES 1990: 8)12

With the first principle, emphasis is placed on the fact that activities carried out in the social economy provide a service to members or to a wider community and are not primarily a means of making a financial return on capital investment. The possible generation of a surplus may thus be an outcome of providing the services or a way to improve them, but not the main motivation behind the activity.

The independence of its management is a principal means of distinguishing the social economy from public entities producing goods and services. The economic activities carried out by the latter do not in general benefit from the wide-ranging management independence that provides an essential impetus in voluntary initiatives.

The need for a democratic decision-making process derives from the ‘one member, one vote’ principle central to co-operatives. Although this may be expressed through a great variety of effective practices, the rule of ‘one share, one vote’ is clearly excluded and there is at least a strict limit placed on the number of votes per member in the body which holds the ultimate decision-making power.

Finally, the fourth principle – the primacy of people and labour in the distribution of income – derives directly from the others (and may thus be seen as less essential). It covers a wide range of practices within organisations in the social economy, including: limited remuneration of capital, distribution of surplus among the workforce or members/users in the form of bonuses, the creation of reserve funds for business development, and the immediate use of surpluses for social purposes. As already mentioned, the concept of social economy is increasingly used in the European Union and since the 1990s numerous studies have been carried out to further the empirical knowledge of this concept.13

3 The concept of the non-profit sector

As in the case of the social economy when viewed through an institutional approach, the concept of the non-profit sector is deeply rooted in history, especially in America. As stated by Salamon, one of the factors which accounted for the early growth of the American penchant for voluntary association was ‘the deep-seated hostility to royal power and centralised state authority that the religious non conformists who helped populate the American colonies brought with them when they fled the Old World’ (Salamon 1997: 282). But it is only in the late nineteenth century that the idea of a distinct non-profit sector really began to take shape. Non-profit organisations were then promoted not simply to supplement public action but as superior vehicles for meeting public needs. Although the expansion of the non-profit sector in the 1960s and 1970s was strongly linked to partnership with government which increasingly supported these organisations, American perception of the latter remains marked by anti-state attitudes as shown by the growing use of the term ‘independent sector’ to refer to these entities.

Tax-exemption as a key criterion

It is mainly through the tax laws that the non-profit sector has come to be legally defined in the United States. The federal tax code identifies some twenty-six different categories of organisations that are entitled to exemption from federal income taxation. These organisations must operate in such a way that ‘no part of (their) earnings inures to the benefit of their officers or directors’ and their founding document must stipulate this.

Although these tax-exempt organisations are of various kinds and include member serving organisations as well as primarily public serving organisations,
much of the discussion on the non-profit sector in the recent American literature focuses on the second category, or more specifically on a subset of organisations that are tax-exempt and eligible to receive tax deductible gifts under Section 501 (c)(3) of the Internal Revenue Code. These organisations, which represent a very large range of public benefit activities, and include schools, colleges, universities, hospitals, museums, libraries, day-care centres, and social service agencies, are therefore thought of as the heart of the non-profit sector.

**A definition for cross-national comparative purposes**

Given this quite specific historical background, it is not surprising that no universally accepted definition of the non-profit sector can be found today. However, significant efforts have been made in the last decade to undertake cross-national comparative studies. Increasing reference is made to the conceptual framework established by the vast international study which has been co-ordinated by the American Johns Hopkins University since 1990.14

For the researchers involved in this project, the non-profit sector consists of organisations with the following characteristics:

- they are formal, i.e. they have a certain degree of institutionalisation, which generally presupposes a legal personality;
- they are private, i.e. distinct from both the state and those organisations issuing directly from the public authorities;
- they are self-governing, in the sense that they must have their own regulations and decision-making bodies;
- they cannot distribute profits to either their members, their directors or a set of 'owners'. This 'non-distribution constraint' lies at the heart of all the literature on NPOs;
- they must involve some level of voluntary contribution in time (volunteers) and/or in money (donors), and they must be founded on the free and voluntary affiliation of their members.

**4 The non-profit sector and the social economy: convergences and divergences**

Before examining how the non-profit sector and the social economy may encapsulate the realities on which we focus, it may be useful to briefly compare these two concepts. At first, the comparison between the above definitions reveals important similarities15 insofar as the requirement for a formal structure in the non-profit sector echoes the legal/institutional approach of the social economy even though the latter only underlines three types of legal status.16 The private nature of entities involved in the NPO concept is implicit in the other approach since the legal status of social economy organisations is generally much closer to that prevailing in the private for-profit sector than in the public sector; while the criterion of self-governance is close to the requirement for independent Manage-

ment in the social economy. Finally, the last criterion for NPOs, which is influenced by the British voluntary sector tradition, is satisfied in practice by most organisations in the social economy insofar as the legal statutes of co-operatives, mutual societies and associations generally stipulate that membership should be freely entered into, and the board members of these organisations usually act on a voluntary basis.

Moreover, it should be stressed that both the non-profit sector and the social economy are defined in terms of their basic structure and organisational rules rather than in terms of their sources of revenue. Although voluntary contributions are given an explicit role in non-profit organisations, none of the concepts imposes any requirement as to the extent of market income, state subsidies or other resources. In fact, the main points of divergence are found in three areas: the specification of goals, the control over the organisation and the use of profits.

Firstly, the social economy approach clearly indicates that the major goal of the organisation is to serve members or the community rather than to seek profit. On the contrary, the NPO approach is not explicit as to the goals of the organisation. Of course, the latter are set by the organisation's own governing bodies and a strict constraint on the use of profits normally induces goals which are quite different from those pursued by traditional private firms. However, it does not seem impossible for an NPO to actually seek maximisation of profits, or any other goal, provided that profits are not distributed to owners and managers.

Secondly, the social economy has at its heart the requirement of a democratic decision-making process which, in addition to giving weight to actual members' involvement and voice, represents a structural procedure to control the actual pursuit of the organisation's goals. In the NPO approach, such a control also comes from inside the organisation through its governing bodies but without any formal democratic requirement. As to the non-distribution constraint, it certainly represents an important limiting rule (generally imposed by law) but its accounting and administrative nature keeps it far from being a dynamic control process.17

Thirdly, the non-profit approach prohibits any profit distribution and thus excludes the entire co-operative component of the social economy, since co-operatives generally redistribute a part of their surplus to their members. It also excludes some mutual societies; for instance, mutual insurance companies which return part of their surplus to members in the form of reductions in future contributions.18

Another way of summing up these differences would be to say that the conceptual basis of the non-profit approach is the non-distribution constraint, which gives it a particular relevance for public benefit associations. The social economy concept, on the other hand, owes much to co-operative thought which of course gives more emphasis to mutual interest organisations and a central place to democratic control over the organisation's goals and functioning. Let us stress however that these differences only apply strictly from a theoretical point of view; they might be much less significant when investigated by empirical research. Especially, a democratic decision-making process should not be taken
for granted in all social economy organisations, because in many entities the actual power often tends to be concentrated within a few hands, in spite of democratically held general assemblies. Moreover, foundations which are increasingly mentioned as a fourth component of the social economy, generally do not rely on the 'one member, one vote' principle in their governing bodies. The third major conceptual difference, referring to surplus distribution, should not be overestimated either, since distribution of some profits is quite frequent in co-operatives and mutuals but it is limited by internal and external regulations.

5 The limitations of the two concepts

Of course, many aspects of the third sector have already been the subject of a great number of studies. But the concepts of the non-profit sector and the social economy, as such, present two major limitations for the purposes of our analysis, i.e. how to understand the emergence of social enterprises, their forms and their importance, and the impact behind them.

Firstly, the non-profit sector and the social economy are both very general concepts covering a wide range of organisations with various roles. They attempt to cover the whole third sector at once, with a single, all-encompassing definition. In reaching this synthesis they cannot help relying on the largest common denominator to be found among all the organisations in the third sector. As a consequence, they are necessarily unable to reflect situations which only partly conform to their definitions, features that are not found throughout the sector, or characteristics which only affect some organisations. At the same time, they cannot easily describe entities that are somehow located on the boundaries rather than at the heart of the third sector.

Secondly, the very nature of these two concepts is static rather than dynamic. They produce a snapshot of the many and varied situations to be found in the third sector. But beyond this descriptive capacity, they are not very helpful in capturing the underlying dynamics of all or part of the elements concerned. For instance, none of these two notions refers explicitly to entrepreneurial behaviours or the economic risks induced by the latter. They can certainly account for some developments, for example the growth in employment or the changes of other key parameters during a given period. But these results are generally obtained by taking a snapshot of the non-profit sector or the social economy in a fairly static fashion at different times.

Of course it is true that much of the literature on the non-profit sector has been written from an explicitly or at least implicitly historical perspective, and various analyses have tried to explain the reasons for the emergence of the third sector and the conditions in which it emerged. But in theories regarding the non-profit sector, as in various studies about the conditions under which the social economy developed, it is more often a matter of a posteriori analysis than of studies of developments as they happen.

Finally, as will be shown later, a lot of social enterprises seem to combine elements of co-operatives and non-profit organisations. For this reason, the traditional NPO approach is clearly not the best starting point. On the contrary, the concept of social economy is able to include social enterprises but a further element is needed as none of its three (or four) main components directly corresponds with social enterprises. None of this means that we will not draw heavily on existing literature in our efforts to improve our understanding of social enterprises. Simply, we do not want to limit ourselves to these notions of the non-profit sector and the social economy in our search for an adequate conceptual framework to approach social enterprises.

6 A new social entrepreneurship?

We will now describe more precisely the realities we want to study in this book. It should be clear that social enterprises are more than simply a new development of the non-profit sector or the social economy and that they deserve an analysis that goes beyond these two concepts. Firstly, we will try to explain why they may be seen as real enterprises and even more particularly as the expression of a new entrepreneurship. Secondly, we will see to what extent these entities and this entrepreneurial behaviour may be qualified as social.

Entrepreneurship as an innovative behaviour

Among theories concerning entrepreneurship, the classic work of Schumpeter (1934: 66) and entrepreneurs are precisely the persons whose role it is to implement these new combinations. Entrepreneurs are not necessarily the owners of a company, but they are responsible for introducing changes in at least one of the following ways: (1) the introduction of a new product or a new quality of product; (2) the introduction of a new production method; (3) the opening of a new market; (4) the acquisition of a new source of raw materials; or (5) the reorganisation of a sector of activity. Following the work carried out by Young (1983, 1986) and a survey undertaken by Badelt (1997), this typology can be adapted to the third sector and it is pertinent to examine, at all levels, to what extent a new entrepreneurship can be identified.

New products or a new quality of products

Numerous analyses of the third sector have demonstrated that enterprises have often been developed in response to needs in areas where the traditional private sector or the state were unable to provide a satisfactory solution. There are countless examples of organisations that have invented new types of services to take up the challenges of their age. Nowadays, as in the past, this is the expression of entrepreneurship. But have the last two decades been different in any specific ways? We believe that it is possible to speak of a new entrepreneurship which is probably more prevalent in Europe than in the United States. The crisis of
European welfare systems (in terms of budget, effectiveness and legitimacy) has resulted in a more autonomous development of third-sector initiatives, and public authorities increasingly look to private initiatives to provide solutions that they would have implemented themselves if the economic climate had been as good as in the glorious 1945–1975 period. The shrinking of public initiative is undoubtedly the most striking in the United Kingdom, but the same trend is apparent in most member states of the European Union, albeit to differing degrees.

These new developments are particularly clear in some fields of activity. The work integration of unskilled people and personal services have seen multiple innovations in terms of new activities being set up or ensuring that services are better adapted to needs, whether in regard to vocational training, providing centres and facilities for young children, services for elderly people, or aid for certain categories of disadvantaged persons (abused children, refugees, immigrants, etc.). These are areas to which we will pay special attention. This entrepreneurship seems all the more innovative as, even within the third sector, it contrasts sharply with the highly bureaucratic and only slightly innovative behaviour of certain traditional organisations (for example, the large welfare organisations in Germany).

New methods of organisation and/or production

It is common to see the third sector organise its activities along different lines from the traditional private and public sectors. But what is most striking in the current generation of social enterprises is the involvement of different, even diverse partners or categories of partners. Salaried employees, voluntary workers, users, supporting organisations and local authorities are often partners in the same project, whereas the traditional social economy organisations have generally been set up by more homogeneous social groups. If this does not necessarily revolutionise the production process, it often transforms the way in which the activity is organised. In some cases, such co-operation could even be described as an alliance of interested parties, for example when service providers and users co-operate in the organisation and management of certain neighbourhood services. The setting-up of childcare centres run by parents in France or in Sweden is just one of many examples of such co-operation. In other cases, such a ‘multi-stakeholder’ structure may lead social enterprises to compete more effectively with for-profit enterprises in existing markets.

New market relations

In some countries, the supply of certain services had long been restricted to public providers, as in the Scandinavian countries, or to informal providers (family or neighbourhood), as in Italy, Spain, Portugal and Greece. However, there existed a demand which remained unsatisfied and third-sector initiatives began to invent market relations in these formerly restricted spheres. In a growing number of countries, the situation has changed rapidly and families increasingly externalise services they formerly provided, due to such factors as increasing female participation in the labour market and the isolation of family members. At the same time, there is a trend towards ‘contracting out’ and towards the development of quasi-markets for certain services which were previously carried out by the public authorities or by non-profit private bodies particularly favoured by the state. In fact, with a view to reducing costs and ensuring that the services are better adapted to user needs, public authorities are making increasing use of calls to tender, which bring different types of service providers into competition for public funding. It was the conservative government in the UK that went furthest in this direction, but this switch from ‘mutual control’ to ‘competitive control’ is becoming more and more commonplace almost everywhere.

Such profound changes in the welfare state inevitably have major ramifications at different levels. For the purposes of this introduction, it is sufficient to emphasise the factors that tend to accentuate the entrepreneurial character of the associations, in the sense that they have an increasing number of characteristics in common with traditional companies and also, in part, in terms of the ‘new combinations’ referred to by Schumpeter:
• existing associations find themselves in competitive situations, sometimes with traditional companies, when tendering;

• they are consequently obliged to install or reinforce internal management structures very much modelled on those of the commercial sector;

• the ending of certain public monopolies (for example in Sweden) or of the monopolies enjoyed by large welfare organisations (for example in Germany) encourage the emergence of new private initiatives (for-profit or non-profit organisations) structured from the outset to reflect this context;

• last but not least, both for old as well as new associations, the economic risk is greater since their financing henceforward depends on their ability to win these quasi-markets and to satisfy users.26

Finally, it goes without saying that this is reinforced by the increased demand among private individuals with adequate financial resources for certain services that become accessible because of the continued rise in the living standards of an important part of the population. Thus for example, elderly people who receive a decent pension or who have accumulated considerable savings represent new markets, which are often very competitive.

**New forms of enterprises**

The recent introduction of diverse legal frameworks in the national legislation of various European states tends to confirm that we are dealing with a somewhat original kind of entrepreneurship. These legal frameworks are intended to be better suited to these types of initiatives than the traditional non-profit or co-operative structures. The Italian Parliament has been a pioneer in this regard, by introducing in 1991 a 'social co-operative' status. This new legal form has been very successful from the outset and the astonishing development of the Italian social co-operatives continues to be followed with interest by other national governments. In 1995, Belgium introduced into its legislation the concept of a 'company with a social purpose', whilst Portugal introduced the 'social solidarity co-operative' and Greece the 'social co-operatives with limited liability' respectively in 1998 and 1999. Other countries, and France in particular, are considering introducing similar legislation.

Generally speaking, these new legal frameworks are designed to encourage the entrepreneurial and commercial dynamics that are an integral part of a social project. They also provide a way of formalising the multi-stakeholder nature of numerous initiatives, by involving the interested parties (paid workers, voluntary workers, users, etc.) in the decision-making process. However, it must be emphasised that apart from Italy, the great majority of social enterprises are still using traditional third-sector legal forms, even though the latter sometimes may hide significant changes; for instance, workers' co-operatives which open their membership to users tend to become closer to public benefit enterprises.
Particular organisational methods

The two concepts embody the view that a third-sector organisation should be autonomous or even independent, with its own decision-making bodies. The social economy approach also stresses that there should be a democratic decision-making process. Such features are often found in social enterprises since they are generally founded on a participatory dynamic which involves their members (paid workers, volunteers, users and/or other partners representing for instance the local community) in management and controlling bodies and since members’ power is generally not proportional to any capital stake they may hold. So we clearly have here characteristics which may be classified as social.

7 Towards a definition of the social enterprise

We have argued so far that a new phenomenon can be identified within the third sector of modern economies and that it may be seen as a new social entrepreneurship whose features are partly out of the range of traditional non-profit and social economy approaches. Taking this for granted, let us now turn to the way the EMES Network organised its research to identify and analyse this phenomenon. The main steps of the research that we are presenting here reflect the structure of the whole book and are found as well within each of the ‘country chapters’ that form the first major part of this volume.

One of the hypotheses of the EMES project was that social enterprises as new entities and/or as a new dynamic in existing third-sector organisations are likely to be found throughout the European Union. This is why the research network was formed and the study undertaken by researchers from all fifteen EU member countries. Of course this meant a considerable diversity and heterogeneity in the work contexts.

In order to build the research on common ground, the first step of the EMES work was to define a set of common criteria which would be used to identify social enterprises in each of the fifteen member states. This set of criteria was considered from the outset as a working definition of the social enterprise that might need to be revised in the course of the project, but as it turned out, this initial framework concept proved to be fairly robust and reliable. This working definition distinguishes, on the one hand, between criteria that are more economic and, on the other, indicators that are predominantly social. Let us begin with the economic and entrepreneurial dimensions for which four criteria have been put forward:

A continuous activity producing goods and/or selling services

Social enterprises, unlike the traditional non-profit organisations, are normally not engaged in advocacy activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations), but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The provision of such goods or services represents, therefore, the reason, or one of the main reasons, for the existence of social enterprises.

A high degree of autonomy

Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Accordingly, they may depend on public subsidies, but they are not managed, directly or indirectly, by public authorities or other organisations (federations, private firms, etc.) and they have both the right of ‘voice and exit’ (the right to take up their own position as well as to terminate their activity).

A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

A minimum amount of paid work

As in the case of most traditional non-profit associations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

To encapsulate the social dimensions of the initiative, five criteria have been proposed:

An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community or a specific group of people. To the same end, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.

An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim and they must maintain such a dimension in one way or another.

A decision-making power not based on capital ownership

This generally means the principle of ‘one member, one vote’ or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights. The owners of the capital are obviously
important (although all social enterprises do not have equity capital) but the
decision-making rights are shared with the other stakeholders.

A participatory nature, which involves the persons affected
by the activity

Representation and participation of customers, stakeholder orientation and a
democratic management style are important characteristics of social enterprises.
In many cases, one of the aims of social enterprises is to further democracy at
local level through economic activity.

Limited profit distribution

Social enterprises not only include organisations that are characterised by a total
non-distribution constraint, but also organisations, like co-operatives in some
countries, which may distribute profits only to a limited extent, thus avoiding a
profit-maximising behaviour.

8 A wide spectrum of initiatives across countries

With such a working definition, it was clear from the beginning that the fulfil-
ment of these criteria would vary greatly and that social enterprises would
appear in each country more as a wide spectrum than as a clear-cut set of well-
identified organisations. At the same time, it seemed quite important to link the
analysis of social enterprises with the other parts of the third sector and with the
whole socio-economic context of each country (in some countries even the
notion of a third sector remains unclear). Against such a background, it was then
feasible to identify and list those types of initiatives which, to varying degrees,
may be named 'social enterprises' according to the working definition just
presented. Although the term itself may not be used in some countries, several
categories of organisations clearly appeared to correspond with the new social
entrepreneurship in which we were interested.

In a second phase of the research, it was agreed on that one or two main
types of social enterprise or fields of activity would be analysed in-depth in each
country. As a result of this selective approach, all researchers focused on a particular
set of social enterprises which seemed particularly interesting in one way or
another, including: the process through which they were created, the mix of
resources on which they rely, the kinds of services they provide, the category of
users to whom they supply these services, their innovative features to fight social
exclusion, and so on. The number of initiatives was seldom the major criterion
in this selection although it was also taken into account.

Finally it appeared that the social enterprises chosen in most countries
operate in two broad spheres of activity: firstly, the training and reintegration
into employment of persons excluded from the labour market and, secondly, the
rapidly developing sector of personal services. However, this sectoral classifica-
tion should be seen only as a way to gain a first quick and superficial idea of the
fields that are covered in the country chapters. In several cases social enterprises
combine both fields or go much beyond them. More importantly, many other
classifications could prove to be more relevant depending on the aspects to be
recorded, such as the role of the leadership, the extent of volunteering and/or
paid labour, the relations to the market, or the support of the local community
and the public authorities.

In order to visualise the groups of social enterprises that are analysed in the
fifteen subsequent country chapters, the following is a brief look at their main
features.

In Austria, the activities of 'child-mindiers' – originally provided on a volun-
tary and unpaid basis – have witnessed a remarkable professionalisation process.
Of particular interest in this field is the development of 'children's groups',
which are small groups of about twelve children with two nurses or specially
trained child-mindiers that are supported by the self-organised involvement of
parents. Childcare centres involving parental participation are also quite popular
in France, while other social enterprises there are developing new forms of home
help services for elderly or dependent persons. More generally, as is also the case
in Belgium, social enterprises in France seem to be particularly innovative in the
whole sphere of what is increasingly called 'proximity services', the proximity
being objective (as for services provided at the local level) or subjective (when the
proximity mainly refers to the relational dimension of the services provided).
Indeed they often mobilise additional resources that do not emerge from the
market or from the state and they go beyond the functional logic of the latter.
This also appears clearly with thousands of Italian social co-operatives that
provide social services, whether residential or not, especially in support of
disabled people, elderly people, drug addicts and young people with family diffi-
culties. In the United Kingdom home care co-operatives have emerged in
response to market or state failures within a particular context of fast developing
 quasi-markets and competitive contracting practices with the local public
authorities.

The frontier between provision of welfare services and activities oriented
towards reintegration in employment of persons excluded from the labour
market is not at all a neat one. In several countries, social work or services for
people with mental illness, functional impairments or other difficulties have
evolved to more productive activities that happened to serve as a basis for the
starting up of social enterprises offering temporary or even stable jobs. This
hybrid nature is well illustrated by the case of Denmark where social work,
community development and productive activities are mixed in various types of
initiatives such as production communes, social residences and folk high schools,
the latter two being known for their ability to take care of young people with
social problems. Sweden has witnessed the development of social worker co-
operatives for former mental patients and for handicapped people since the state
embarked on a reform including the phasing out of the big mental health insti-
tutions in the 1980s. Although these co-operatives do not offer standard jobs,
they show an entrepreneurial spirit supported by local co-operative development agencies. In a quite different context, Portuguese CRICs, i.e. co-operatives for education and rehabilitation of mentally handicapped children, started as special education schools and evolved with an increasing productive and job creation orientation as their users got older.

In many cases, there is no clear-cut boundary either between social enterprises seeking work integration of people with mental or physical disabilities and those oriented towards persons who are socially excluded (e.g. drug addicts, prisoners, or early school leavers). Social enterprises of both types, sometimes mixing target groups, may be found in Italy, Luxembourg, and Greece as well as in Spain across several fields of activity, with waste collection and recycling activities particularly important in Spain.

Many social enterprises offer stable jobs for excluded persons or represent the only work prospect for some specific target groups. However, many others must be viewed as part of 'transitional labour markets', that is as a step on the way back to the regular labour market and to 'normal' employment. Various social employment initiatives in Germany, particularly those specifically named 'social enterprises' in three Länder, Finnish labour co-operatives which aim at employing their members by subcontracting their labour to other employers, as well as Dutch neighbourhood development schemes which try to provide services and employment opportunities to inhabitants in old and poor urban areas, must all be seen as transitional institutions with temporary support from the public authorities.

Even when they seem to have rather narrow and clearly defined objectives, for instance providing on-the-job training or work experience to help people come back to regular employment, social enterprises generally combine these aims with other dimensions and challenges. Among those that were not mentioned in the above examples, one should stress social enterprises' participation in the local development dynamics in disadvantaged areas. This is particularly true of 'ABS' organisations in the new Eastern German Länder, the Greek agritourist co-operatives operated by women in remote rural areas, as well as the Dutch neighbourhood development/rehabilitation schemes in urban areas. Sometimes concerns for local development come first, as in Ireland, where a wide range of initiatives in proximity services and community businesses would not have emerged without mobilisation of the local population and the building of local partnerships.

Finally, let us stress the fact that all these examples should not be considered as forming the whole landscape of social enterprises in the European Union. They are simply features to which attention will be drawn to answer the main questions of the EMES research programme.

9 Three key questions

Social enterprises in the fifteen countries have been analysed on the basis of a common grid that can in fact be summed up in three key questions. These questions were addressed both at the level of each individual country and from an international comparative perspective.

Question 1: What are the actual specific characteristics of social enterprises?

In particular we have tried to ascertain the context favouring the emergence of social enterprises, the support they have received and continue to receive, how they have evolved in terms of objectives and available resources, as well as the relations with users and public authorities. The way social enterprises are structured internally, their legal form and the profile of their workers have also been examined.

Question 2: What do social enterprises contribute?

We have examined the question of whether social enterprises have particular strong points compared with other types of private or public organisations, notably as regards the mobilisation of resources that might be out of reach for others. We have also endeavoured to ascertain whether they succeed in satisfying certain needs that would not be met otherwise. Along the same lines, the results that they achieve have been assessed, notably their contribution to the fight against unemployment and social exclusion. But we also question whether or not they are handicapped by certain intrinsic weaknesses, possibly at the level of their financial resources or their organisational efficiency.

Question 3: What are the future prospects for social enterprises?

Do social enterprises provide purely temporary solutions or can they aspire to playing a medium or long-term role? What is the position regarding their long-term role if the public authorities decide to address the social problems in areas where the social enterprises are involved? On the contrary, to what extent can they interact with the public authorities? Will their development be handicapped if the increasing financial resources of the private individuals that they serve attract traditional private sector firms? Do the current prospects of steady economic growth in Europe reduce the need for social enterprises or their development opportunities? It is on the basis of such questions that we have tried to draw up a picture of the most likely scenarios and the conditions favourable to a possible future development of social enterprises in their respective sectors.

10 Towards a theory of social enterprise

These three key questions not only served as a basis for the description, analysis and comparison of social enterprises in the different countries. All information and knowledge gathered from an empirical point of view also provided the basis
for conceptual constructions and theoretical proposals that were discussed at each joint work session of the research process.

Beyond the definition of social enterprise already presented, the theoretical challenges that the EMES Network encountered may be illustrated in a simple way by Figure 1. The latter shows particularly how traditional visions of the third sector may be used to somehow locate social enterprises and how it was necessary to go a step further.

The first major point of reference is provided by the co-operative world, a distinct component of the social economy, which has its own research traditions and schools of thought. In several countries, indeed, social enterprises are registered as co-operatives as is shown by examples listed above. Moreover, workers' co-ops appear closer to social enterprises than traditional (often rather large) users' co-ops as is demonstrated by the cases of Finnish labour co-ops, Greek agritourist co-ops or British home care co-ops. However, social enterprises often combine different types of stakeholders in their membership and are more oriented than classical workers' co-ops to the benefit of the whole community.

The other major reference is the world of non-profit organisations, in which production-oriented entities are certainly closer to social enterprises than are advocacy organisations and grant-making foundations. In several European countries social enterprises do actually have the legal status of a non-profit organisation or association. However, as was shown in the fourth and fifth sections of this general introduction, the NPO literature is not able to embrace the whole reality of the social enterprise. This remains true in spite of new laws that have recently been passed in Italy, Portugal, Greece and Belgium, to promote the development of firms with social aims.

The growing intersection of the circles in the figure represents precisely those trends that drive each circle closer to the other as the nature of social enterprises somehow relies on the combination of characteristics from both types of organisation. But it should not be interpreted in a static way, as only some social enterprises are simultaneously real co-operatives and pure non-profits organisations. Incidentally, the dotted lines also suggest another perspective which corresponds to what has been explained from the beginning, i.e. that part of the phenomenon of social enterprises is clearly made up of newly created organisations but it also represents a dynamic process which is transforming existing third-sector organisations.

The attempts made to build a specific theory of social enterprise are presented in the second major part of this volume. The first contribution, by Bacchiça and Borzaga, uses the tools offered by the institutional theory of organisations to highlight the innovative nature of social enterprises. The criteria forming the EMES definition of social enterprise are interpreted as shaping an original incentive system within these organisations. That incentive structure is based, on the one hand, on a mix of monetary and non-monetary elements where the latter tend to assume more importance than the former and, on the other hand, on the necessity to combine the possibly conflicting objectives of different categories of stakeholders. The authors also examine to what extent these specificities may contribute to explaining the plurality of social enterprises in the European context as well as their main strengths and weaknesses.

In the second theoretical chapter, Evers proposes a more socio-political analysis of the multiple goal and resource structure of social enterprises. He shows that such a structure may be better understood by bringing in the notion of 'social capital', although this concept is widely used today with quite diverse meanings. The author focuses on what might also be called 'civic capital' in order to encompass those non-market and non-state resources which are of considerable importance for social enterprises, like the readiness for dialogue, cooperation and civic commitment. He also argues that taking into account social capital-building as one of the goals of third-sector organisations helps to give more visibility to a number of their civic concerns and effects, which correspond to a broad notion of the public good, including democratic dimensions. In this perspective, social capital-building can become an explicit purpose of organisations like social enterprises. Finally, links between social capital and public policies are highlighted and it is stressed that policy-making and programmes should probably acknowledge as well as reward the mobilisation and reproduction of social capital by social enterprises, instead of taking it for granted.

The third contribution, by Laville and Nyssens, is the broadest one as it attempts to combine economic, social and political dimensions within a single tentative integrated theory of an 'ideal-type' social enterprise. It first examines
relations between the specific aims of social enterprises and their ownership structure. The purpose of serving the community is defined as the explicit enhancement of collective externalities, i.e., collective benefits associated with the main production activity. Such a goal, however, does not seem to require any single model of ownership structure. The authors also extend the analysis of the specific features of social capital in social enterprise, showing that such a resource may reduce transaction costs and production costs as well as generate socio-political effects. Then, after focusing on internal relations, they turn to the types of economic exchanges between social enterprises and their environment. Building on Polanyi’s distinction between the economic principles of market exchange, redistribution and reciprocity, they show how the social enterprise mixes these modes of exchange in different socio-political contexts. From this point of view, the emergence of such enterprises can be understood as a reciprocal impulse and the consolidation process reveals a tension between institutional isomorphism and hybridisation of different economic principles.

The second major part of the book ends with a contribution from C. Bortz and L. Solari in which they explore the main challenges confronting managers and members of social enterprises. While examining the more critical issues, they suggest strategies and areas of intervention for managers. Managers may in fact play a major role in overcoming the internal weaknesses and the external barriers highlighted in the preceding chapters. The authors emphasise particularly the role of managers in establishing legitimacy for social enterprises with respect both to external actors (such as society, public decision-makers and customers) and internal actors (including workers and volunteers). While some regulatory legitimacy has been established in particular EU countries through legislation, they underline the role of managers in identifying different governance forms, organisation design and human resources practices which can promote the effectiveness of social enterprises in comparison to other organisational forms operating in the third sector.

Finally, in the concluding chapter of the book, we try to summarise the main empirical and theoretical results of the entire joint research project. We first synthesise the reasons for the emergence of social enterprises in all EU countries as well as the great diversity of these initiatives. It is argued that country variations may be explained by referring to the level of economic and social development, the characteristics of the welfare systems, the role of the traditional third sector and the existence of specific legal frameworks. We also survey the main contributions of social enterprises to the transformation of existing welfare systems, employment creation, local development, building of social capital and social cohesion and new dynamics within the third sector. These contributions however cannot hide internal weaknesses of this very special type of organisation that may prove to be quite fragile in some contexts. Moreover, external barriers often hinder their development and that is why this book ends by looking at policies which might better acknowledge their specificities and their potential in the context of strengthening the fundamental pluralism of European economic systems.

Notes
1 EMES refers to the title of the research project as submitted in French to the European Commission: L’Emergence des Entreprises Sociales en Europe.
2 Among the oldest and still existing scientific journals fully or partly dedicated to co-operatives, we should mention the Revue des Études Coopératives (founded in 1921 by Ch. Gide) later renamed RECMA (see note 6), and the Annals of Public and Co-operative Economics (founded in 1908).
3 The journal Economic Analysis and Workers’ Management launched in the late 1970s effectively represented this line of research. Now published under the shorter title Economic Analysis, it still covers the economics of self-management and workers’ co-operatives but it has enlarged its scope of interest to encompass the ‘economics of participation’.
4 From the 1930s through the 1960s, Western economies had been increasingly regarded as mixed economies made up of two major sectors as state intervention and the public sector became a second major component alongside the private for-profit sector.
5 The international scientific journals Non-profit and Voluntary Sector Quarterly and Voluntas provide a valuable overview of this literature.
6 This approach is well illustrated by the evolution of an already mentioned French journal (see note 2) which became the Revue des Études Coopératives, Mutualités et Associations (RECMA).
7 For some considerable time there has existed a ‘social economy intergroup’ within the European Parliament and the Economic and Social Committee and a ‘social economy unit’ was set up a decade ago by DG XXIII of the European Commission; more recently the latter officially recognised a ‘consultative committee on co-operatives, mutual societies, associations and foundations’. Some of these bodies are currently undergoing significant changes but, more generally, an increasing number of action programmes and decisions from the Council of Ministers refer explicitly to the social economy, as for instance the guidelines for National Action Plans all member state governments have to design.
8 A key reference point in the first wave of co-operative development is the Rochdale Society of Equitable Pioneers, which was founded in 1844 north of Manchester by a group of weavers. Its constitution is usually seen as the first expression of those ‘co-operatives principles’ which, in spite of several revisions, continue to inspire the co-operative movement throughout the world. Today the International Co-operative Alliance (ICA) encompasses over 750 million members of co-operatives over five continents.
9 Many of these mutual societies are members of the Association Internationale de la Mutualité (AIM).
10 Often arising from local culture and reflecting the values or practices of community solidarity.
11 This happened in France in the 1980s and gave birth to another notion, the ‘économie solidaire’, which is intended to reflect specific features of new initiatives. Therefore, the third sector as a whole is sometimes referred to as the ‘économie sociale et solidaire’.
12 See Defourny and Monzon Campos (1992) for an international comparative analysis of the third sector based on this social economy approach.
13 See Defourny and Mertens (1999) for a brief summary of comparative statistical studies carried out across the European Union. See also CIRIEC (2000) for an recent attempt to update these figures.
14 This project, which still continues, has generated a whole series of publications. See among the first and the latest Salamon and Anheier (1994) and Salamon, Anheier and Associates (1999).
15 On these similarities, see also Archambault (1996).
In practice, the majority of NPOs have a status which places them with associations or mutual societies, assuming that a sufficiently broad view of the latter is taken as outlined above.

17 Reviewing Crotfelder's book *Who Benefits from the Nonprofit Sector?*, Ben-Ner (1994) argues that the US situation requires improving access to the decision-making process of NPOs by consumers, sponsors and donors and allowing them to assert more oversight on management.

18 For a more detailed analysis of the differences, see *Inter alia Mertens* (1999), and Defourny, Devletere and Fonteneau (1999).

19 We can also note that the difference between mutual and public benefit organisations decreases when mutual interest organisations have an 'open door' principle for their membership.

20 Among the most traditional surveys of these theories, see for example James and Rose-Ackerman (1986).


22 That is indeed one of the major themes of studies devoted to identifying the principal reasons for the existence of the third sector.

23 On the subject of work integration, see Defourny, Favreau and Laville (1998); on personal services, see Borzaga and Santarini (1998).

24 This greater homogeneity is reflected in particular in the names of the different types of co-operatives or mutual societies, e.g. workers' co-operatives, agricultural co-operatives, mutual societies for civil servants, craft workers, farmers and so on.

25 Once again, care must be taken when interpreting this evolution. Part of this innovative behaviour comes from the organisations themselves, but it is also a question of reactions and adaptations to the imposts or constraints inherent in public policies.

26 On this trend, see Laville and Saussine (1997).


28 It should be noted that most of these field studies were carried out in 1997 and 1998. This explains why many data refer to these years or are even a bit older.

**Bibliography**


Part I

Social enterprises in the fifteen EU countries