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Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences

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Introduction

Whereas a dozen years ago the concepts of "social enterprise", "social entrepreneurship" and "social entrepreneur" were rarely discussed, they are now making amazing breakthroughs on both sides of the Atlantic, especially in EU countries and the United States. They are also attracting increasing interest in other regions, such as Eastern Asia (especially South Korea, Japan and Taiwan) and Latin America.

In Europe, the concept of social enterprise made its first appearance in 1990, at the very heart of the third sector, following an impetus which was first an Italian one and was closely linked with the co-operative movement. In 1991, the Italian parliament adopted a law creating a specific legal form for "social co-operatives" and the latter went on to experience an extraordinary growth. In the United States, the concepts of social entrepreneur and social enterprise also met with a very positive response in the early 1990s. In 1993, for instance, the Harvard Business School launched the "Social Enterprise Initiative", one of the milestones of the period.

Since this early period, the debate has expanded in various types of institutions. Major universities have developed research and training programmes. International research networks have been set up, like the EMES European Research Network, which has gathered, since 1996, research centres from most countries of the EU-15, and the Social Enterprise Knowledge Network (SEKN), which was formed in 2001 by leading Latin-American business schools and the Harvard Business School. Various foundations have set up training and support programmes for social enterprises or social entrepreneurs. Various European countries have passed new laws to promote social enterprises.

However, what is striking is the fact that the debates on both sides of the Atlantic took place in parallel trajectories, with very few connections between them, until the years 2004-5.³ From a scientific point of view, the first bridges were built by Nicholls (2006), Mair, Robinson and Hockerts (2006) as well as Steyaert and Hjorth (2006). Kerlin (2006) also made an interesting attempt to compare the concept of social enterprise in the US

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³ With some exceptions, such as the UK since 2002, as will be shown below.

and in Europe, and discussions began to develop within the newly created, world-wide University Network for Social Entrepreneurship.⁴ In this context, the objective of the present paper is to deepen this debate and to better analyse the three terminological flags of "social enterprise", "social entrepreneurship" and "social entrepreneur" as embodied in their respective European and US contexts, as well as the distinct developments they now tend to experience. The paper is structured as follows: in the first part, we describe and compare the European and US historical landscapes in which those concepts took root. In the second part, we carefully analyze how the various conceptualizations in this field evolved and are still developing on both sides of the Atlantic. This analysis paves the way for the third part, in which we highlight the conceptual convergences and divergences among regions as well as within the US and European landscapes.

1. Backgrounds of the debate

1.1. The European context

In most Western European countries, third sector organizations - such as non-profit organizations, co-operatives and mutual societies - were already playing a significant role well before the Second World War. Their importance became greater in the 1950s, with some emblematic initiatives set up to combat housing and poverty problems.⁵ Many of these organizations were inspired by a (Christian) charitable tradition, but another stream of inspiration stressed participation and mutual aid principles. In the late 1960s and 1970s, the quest for more democracy and equality in all spheres of life led to a blooming of civil society movements addressing major societal issues, both through advocacy and provision of services.

In the late 1970s–early 1980s, the persistence of structural unemployment in many European countries, the need to reduce state budget deficits and to keep them at low level, the difficulties encountered by traditional social policies and the need for more active integration policies raised the question of how far the third sector could help to meet these challenges and perhaps take over from public authorities in some areas. However, social actors, such as social workers and associative militants, were facing a lack of adequate public policy schemes to tackle the increasing exclusion of some groups (such as long-term unemployed people, low-qualified people, people with social problems, etc.) from the labour market or more generally from society. In such an overall context, the answers given to these emerging challenges by each country varied according to the specificities of the different European models.⁶

⁴ Scientific meetings gathering North-American and European researchers in the field of social enterprise and social entrepreneurship also took place at the Skoll Centre for Social Entrepreneurship, as well as during the annual Skoll World Forum for Social Entrepreneurship in Oxford. Joint EMES-ISTR European Conferences in 2005 and 2008 proved to be fruitful events as well. The International Social Entrepreneurship Research Conference (ISERC) series, which have been organized since 2005, aim to gather researchers, mainly from business schools, in the field of social entrepreneurship.

⁵ In France, Abbot Pierre and his Emmaüs movement became famous and developed internationally. In Belgium, Father D. Pire, a Dominican monk, was awarded the Nobel Peace Prize in 1958 for his numerous initiatives in favour of the neediest, especially refugees. In Spain, the first enterprises of what would become the huge Mondragon co-operative complex were founded in the early 1950s to rebuild economic activities meeting the needs of and controlled by the Basque community itself.

⁶ Defourny et al. (1998); Spear et al. (2001); Nyssens (2006).

The Bismarckian countries

In the countries with a Bismarckian tradition – which, according to the Esping-Andersen typology, can also be referred to as the "corporatist" group – (namely Belgium, France, Germany, and Ireland⁷), intermediate bodies play an important role in the management of social insurance and the provision of social services (Esping-Andersen 1999). Indeed, these countries are characterized by a significant presence of non-profit private organizations, mainly financed and regulated by public bodies, in the field of social services (Salamon et. al 2004).

During the 1980s, public bodies, faced with high rates of unemployment and a crisis in public finances, stopped relying exclusively on passive labour market policies based on a system of allocation of cash benefits to the unemployed and developed active labour policies, which aimed to integrate the unemployed into the labour market through professional training programmes, job subsidy programmes, etc. Within this field of active labour market policies, we can spot a large "second labour market programme", offering intermediate forms of employment, between employment policies and social policies. Such a programme was based on the observation that, on the one hand, a number of unsatisfied social needs existed and, on the other hand, a large number of people were unemployed. These programmes thus tried to encourage the creation of new jobs in areas where they could satisfy social needs, as a mean of both creating jobs for unemployed persons and curbing mainstream social spending.

In a context of lasting collaboration between the state and non-profit organizations in the provision of social services, public bodies heavily relied on associations for the implementation of this "second labour market programme". Indeed, some associations were pioneers in promoting the integration of unemployed persons through a productive activity. It could even be considered that these pioneering associations actually implemented active labour market policies before the latter came into institutional existence. With the institutionalisation of the second labour market programme, associations have increasingly constituted a tool for its implementation. This kind of public scheme fostered the trend toward a more productive role of and entrepreneurial dynamics within the non-profit sector.

In countries such as France and Belgium, these dynamics were explicitly located inside the third sector, which was referred to as the "social economy" (*économie sociale*) or the "solidarity economy" (*économie solidaire*). In these countries, the existence of a third sector – alongside the public and the private for-profit sectors – was recognized and influenced the perception of these new "associative dynamics". The influence has been reciprocal; the emergence of associations active in the integration of people excluded from the labour market – associations whose official recognition was in some respects made easier by the existence of a social economy sector – often in turn brought new life into this sector.

⁷ The inclusion of Ireland in this first group may seem rather odd. However, Ireland has one of the highest shares of employment in the non-profit sector, and the latter relies heavily on public funding. Actually, some research has shown that Ireland is a borderline case between the "liberal" and the "corporatist" state (Hicks and Kenworthy 2003).

The Nordic countries

In the Nordic countries, which are characterised by the highest level of welfare expenditures in Europe and correspond to the "social democratic" group of Esping-Andersen's typology, welfare has mainly been delivered by the state. In these countries, associations are traditionally either involved in culture and leisure activities, or they have an advocacy role; they do not usually play a role of social service providers. These countries also have a tradition of a co-operative movement, with, inter alia, workers or farmers cooperatives (Hulgård, 2004). In the 1980s, in a context characterized by the emergence of new challenges, new dynamics emerged in this cooperative sector. In Sweden, the first new worker co-operatives were initiated in the wake of the psychiatric care reform of 1989 (that phased out large closed-environment mental health institutions) by actors within the field of mental care: care personnel, patients and ex-patients (Stryjan, 2004). As the expansion of the Swedish public childcare sector slowed down during the 1980s, parent cooperatives experienced a rapid growth, in the framework of a search for new pedagogical models (Pestoff, 2004).

In these countries, there is traditionally a division of tasks between the state, the business community, and civil society (Stryjan, 2006). The welfare state is expected to deliver welfare, the business sector ensures the production, the accumulation, and the creation of jobs, and civil society focuses on the articulation of interests and the shaping of the broad societal agenda. With the emergence of these new forms of cooperatives, a new actor, which had traditionally been identified as part of the business sector, appeared in the landscape of the production of welfare.

The UK

The UK is traditionally viewed as emblematic of the liberal model. In this configuration, a lower level of government social spending is associated with a relatively large voluntary sector relying mostly on private resources (Salamon et al.2004). In this model, charities, relying on voluntary resources, are seen as key actors to solve market and state failures. The situation in the UK, though, could rather be described as "mixed": indeed, the experience of the two World Wars led national public authorities to develop various social programs with universal coverage, in the framework of which charities were supported through public subsidies (Lewis, 1999).

This landscape was challenged in the 1970s and 1980s by a new public management approach that stressed quasi-market mechanisms to increase efficiency in service provision. According to Le Grand (1991), a quasi-market implies a split between the functions of financing and providing, which were traditionally ensured, in the field of social services, by the state. Within a quasi-market, the state still contributes to the financing and the regulation of the service but provision is open to all kinds of organisations: public sector, third sector and for-profit sector providers compete on the market. The UK community care reform of the early 1990s was emblematic of this trend; it was hoped that this reform of public policies would allow reducing public sector bureaucracy and would lead to the adoption of the discipline and rigor of the market place (Netten et al., 2004). A new role was assigned to local authorities which then had to

exercise their purchasing power through contracting out the provision to the "independent sector". The focus was put on private providers, be they for-profit or voluntary firms.

In this context, the types of relationships between the state and the voluntary sector were at stake. It seems that what was challenged was not the level of social expenditures but rather the instruments through which the government supported third sector organizations: public money took the form of contracts and third-party payments instead of grants.

The Southern countries

In Southern countries, like Spain, Italy or Portugal, welfare spending in general is lower and the provision of social services financed by the state, in particular, is underdeveloped. Families are considered as the key actor in welfare provision. Historically, Church-related charitable organizations have also played a central role as providers of social services in these countries, but this responsibility has been controlled or limited by the state in the 20th century, especially during the fascist period, in order to control civil society. This explains why, in Italy, for example, in the 1970s, non-profit organisations were relatively few, and they were merely confined to advocacy activities (Borzaga, 2004). Countries as Spain and Italy are also characterized by a strong co-operative tradition.

In this context, it is not surprising that in the late 1980s, new co-operative initiatives emerged in Italy to respond to unmet needs, especially in the field of work integration - as some groups were increasingly excluded from the labour market - as well as in the field of personal services - in a context of rapid aging of the population and changes in family structures. In contrast to traditional co-operatives, that were primarily oriented toward members' interests, these initiatives were serving a broader community and putting greater emphasis on the dimension of general interest. They also differed from traditional co-operatives in that they often combined different types of stakeholders in their membership (paid workers, volunteers and other supporting members, etc.), whereas traditional co-operatives are usually single-stakeholder organizations.

Although it may have been used elsewhere previously, the concept of "social enterprise" as such seems to have first appeared in this country, where it was promoted through a journal launched in 1990 and entitled *Impresa sociale*. The concept was introduced at the time to designate these pioneering initiatives for which the Italian Parliament created the legal form of "social co-operative" one year later.

To sum up, we could say that in most Western European countries, third sector organizations - such as non-profit organizations, co-operatives and mutual societies - have always played a significant role in the provision of welfare, even though their links with public bodies vary according to the type of welfare state. In the 1970s and 1980s (two decades marked by a structural crisis of European socio-economic models), new associative and co-operative entrepreneurship dynamics emerged to meet social needs left unmet by the market and the state. Most of these organizations were also supported by public funding, in a context characterized by a change in the forms of public funding rather than in the volume of this funding.

1.2. A brief overview of the US context

When looking at the US historical context, what is striking is the diversity of terms which have been used since the early 1980s to describe the entrepreneurial behaviours with social aims that developed in the country, mainly within the non-profit sector: "non-profit venture", "non-profit entrepreneurship", "social-purpose endeavour", "social innovation", "social-purpose business", "community wealth enterprise", "public entrepreneurship",... Around the years 1993-5, most of those terms were put in relation with - and paved the way for - the concepts of "social entrepreneurship", "social entrepreneurs" and "social enterprise", which are now dominating the US landscape.⁸ But let us first focus, as we did for Europe, on some elements of history, in order to understand the background of those further developments.

Dees and Anderson (2006) propose a typology that, beyond the diversity of the terms used until the early 1990s, may help to distinguish two major schools of thought, rooted in the different types of initiatives of this early period. Although it is far from perfect, such a distinction will allow us to better point out divergences and convergences between the US and the European scene.

The first and still dominant school of thought on social entrepreneurship refers to the use of commercial activities by non-profit organizations in support of their mission. As summarized by Kerlin (2006), although such a behaviour can be traced back to the very foundation of the US, when community or religious groups were selling homemade goods or holding bazaars to supplement voluntary donations, it gained a particular importance in the specific context of the late 1970s and 1980s. Indeed, when the federal government launched the Great Society programs in the 1960s, a significant share of the huge funds invested in education, health care, community development and poverty programs was channelled through nonprofits operating in these areas, instead of being managed by an enlarged public bureaucracy. Such a strategy of course strongly supported the expansion of existing nonprofits as well as the creation of many new ones. However, the downturn in the economy in the late 1970s led to welfare retrenchment and to important cutbacks in federal funding (Salamon, 1997). Nonprofits then began to expand their commercial activities to fill the gap in their budget through the sale of goods or services not directly related to their mission. Typical of this early stage was the creation, in 1980, of New Ventures, the most prominent of the consulting firms that emerged then to offer their services to nonprofits interested in exploring business ventures. Skloot (1983, 1987), one of the firm's key founders, made important contributions to the analysis of commercial activities that were "related but not customary to the (non-profit) organization" and that could help diversify its funding base.⁹ Among social scientists, Crimmings and Kiel (1983) may have been the first who systematically surveyed such practices and analysed their factors of success.

Based on a broader vision of entrepreneurship, the second major school of thought had B. Drayton and Ashoka, the organization he founded in 1980, as its primary driving forces. The mission of Ashoka was (and still is) "to find and support outstanding individuals

⁸ According to Nicholls (2006), the term "social entrepreneur" had already been used by two or three authors in the 1970s, but in very specific contexts and with quite different meanings.

⁹ Skloot (1987, p. 381) as quoted by Dees and Anderson (2006), who also list a few other early authors addressing the same nonprofits' quest for earned income.

with pattern setting ideas for social change".¹⁰ Muhammad Yunus, founder of the Grameen Bank, a famous microfinance institution targeted at poor rural women in Bangladesh, has been presented, in this vein, as an emblematic social entrepreneur. Ashoka focuses on the profiles of very specific individuals, first referred to as public entrepreneurs, able to bring about social innovation in various fields, rather than on the forms of organisation they might set up. In a similar vein, Drucker (1985) developed the concept of "public service entrepreneur", suggesting that entrepreneurship could happen in any sphere.

But emphasising these two major schools of thought should not lead us to overlook major contributions which do not fall clearly into one or the other. This is for example the case of the pioneering work of Young (1983, 1986), who somehow had a foot in both schools. Indeed, as the first school, he developed his analysis for the non-profit sector, but he offered a much broader and deeper conception of entrepreneurship. Like the second school, he particularly focused, along the classical work of Schumpeter (1934), on (non-profit) entrepreneurs whom he described as "the innovators who found new organizations, develop and implement new programs and methods, organize and expand new services, and redirect the activities of faltering organizations" (Young, 1986: 162).

1.3. A first EU-US comparative perspective

Among common features on both sides of the Atlantic, we first note that the field developments and conceptual debates about new entrepreneurial behaviours driven by a primary social purpose mainly took place within the non-profit sector. However, the cooperative tradition also played a significant role in several European countries, while foundations were important actors in the US. It can thus be asserted that the third sector as a whole was the matrix from which new practices and concepts emerged throughout the 1980s.¹¹

It is also clear that changes in public funding of the third sector played an important role in shaping new attitudes and strategies, but this common general trend should not mask differences which proved important for subsequent conceptual evolutions. The US scene was first marked by shortcuts in public grants and, over a longer period, by the fact that the share of public support in many subsectors decreased, while the share of commercial income increased significantly (Kerlin, 2006). In Western Europe, it was the forms - rather than the volume or the share - of public funding that were transformed: second labour market programs provided new support for hiring or retraining unemployed people in non-profit organisations, while the development of quasi-markets fostered contractual relations with public authorities in a more competitive environment.

The first US school of thought, which set the grounds for conceptions of social enterprise mainly defined by earned-income strategies, and European approaches of entrepreneurial initiatives relying on a combination of various types of market and non market resources, which always varied according to the needs to be addressed¹² as well as to local contexts,

¹⁰ Drayton and MacDonald (1993:1).

¹¹ Some US for-profit companies interested in delivering human social services also took part in the debate, especially through the "Alpha Center", created in 1986.

¹² In most European countries, for instance, sheltered workshops usually got and still receive public subsidies according to the degree of handicap of the workers they employed.

may be considered as resulting, at least to some extent, from this differentiated evolution. This point will be re-emphasized later on, but it should be considered from now as a cornerstone to understand a good deal of conceptual divergences between both sides of the Atlantic.

At this stage, it also appears that the second US school of thought, through its insistence on innovation and new answers to social needs neither met by the public sector nor by the for-profit sector, was closer to European trends than the first school was, and this is even truer of Young's approach. Within this last overall convergence of European and US developments, it should be noted, however, that collective forms of entrepreneurship, with participatory dynamics, were central in Europe, while individual profiles of entrepreneurs were often sought in the US. Moreover, unlike the European debates, the second American school, led by Ashoka, put a particular emphasis on the scale of social innovation; this was not an explicit key concern in EU countries. As a matter of fact, the scale of innovation did not have the same place in discourses but, as we will see later, a large number of field experiments could *ex post* be qualified as path-breaking or pattern-setting undertakings, as they led European governments to pass new laws and to launch new programs to promote their replication.

2. Towards a conceptualization of social enterprise and social entrepreneurship

Although field initiatives, along the former decade's trends, continued to blossom across Europe in the first half of the 1990s, with Italian social cooperatives as an inspiring model, the concept of social enterprise as such did not really spread during those years. However, various driving forces could be observed which paved the way for an increased explicit reference to social enterprise. In several countries, new forms of work integration enterprises were set up outside any legal framework; they were sometimes even completely illegal. In this field and in others (e.g. care), such organisations built platforms and federative bodies to advocate for a better recognition of their specificities. The need for more professional skills and for more effective management methods also drove non-profits to adopt some more business-like behaviours. As a result of these evolutions, laws were passed to promote new legal forms, better suited to social enterprises, and public schemes (sometimes associated to new legal forms) were designed to target more specifically work integration social enterprises (Defourny & Nyssens, 2008). In the academic sphere, major analytical efforts were undertaken, both at the conceptual and empirical levels, especially by the EMES European Research Network; European developments will be analysed in section 2.1. and 2.2.

We will then see, in section 2.3., how the US scene also experienced, during the same decade, major advances for social entrepreneurship and social enterprises, in concrete terms as well as from an analytical point of view. As in the previous decades, evolutions on both sides of the Atlantic took place in rather parallel trajectories, with very few connections between them, at least until the early 2000s.

2.1. European policies promoting social enterprise

New legal forms

The Italian law adopted in 1991 distinguishes between two types of social co-operative: those delivering social, health and educational services, called "A-type social co-operatives" (*cooperative sociali di tipo a*), and those providing work integration for disadvantaged people, referred to as "B-type social co-operatives" (*cooperative sociali di tipo b*).

Other European countries also introduced, in the second part of the 1990s, new legal forms reflecting the entrepreneurial approach adopted by an increasing number of "not-for-profit" organizations, even though the term of "social enterprise" was not always used as such in the legislation.

In France, Portugal, Spain and Greece, these new legal forms were of the co-operative type. The Portuguese "social solidarity co-operative" (*cooperativa de solidariedade social*) legal form was created in 1997. This type of co-operative provides services with an objective to foster the integration of vulnerable groups, such as children, people with disabilities and socially disadvantaged families and communities. In Spain, a national law created the label of "social initiative co-operative" (*cooperativa de iniciativa social*) in 1999; any type of co-operative providing social services or developing an economic activity aiming at the work integration of socially excluded persons can use this label. Twelve autonomous regions have since developed their own legislation linked to this national law. In Greece, the status of "limited liability social co-operative" (*Koinonikos Syneterismos Periorismenis Eufthinis*, or KoiSPE) was designed in 1999 for organizations targeting very specific groups of individuals with psycho-social disabilities and aiming at the socio-professional integration of the latter through a productive activity. A French law, passed in 2002, defines the "collective interest co-operative society" (*société coopérative d'intérêt collectif*, or SCIC). This new form of co-operative undertaking brings together employees, users, volunteers, local and regional authorities and any other partner wishing to work together on a given local development project.

In Belgium, the "social purpose company" (*société à finalité sociale*, or SFS, in French; *vennootschap zonder winstoogmerk*, or VSO, in Dutch) legal framework, introduced in 1996, does not focus on the sole co-operative tradition, although it is often combined with the latter. More precisely, this framework is not, strictly speaking, a new legal form, as all types of business corporations can adopt the "social purpose company" label, provided they define an explicit social aim and that they "are not dedicated to the enrichment of their members".¹³ This type of "legal brand", which crosses the boundaries of legal forms and can be adopted by various types of organization (not only co-operatives and non-profit organizations, but also investor-owned organizations, for instance), is also the approach adopted by the Italian law on social enterprise (*impresa sociale*), which was voted in 2005. Indeed, the impressive development of social co-operatives¹⁴ has not prevented other types of Italian organizations from developing social entrepreneurial activities. According to the law on social enterprise, any enterprise can obtain the "legal

¹³ A book entitled *Développer l'entreprise sociale* (Defourny, 1994) seems to have first introduced the notion of social enterprise in French-speaking regions. While it surveyed existing non-profit and cooperative initiatives focusing on work integration in Belgium, France and Italy, it also paved the way in Belgium for new forms of "work integration enterprises" which have all subsequently adopted this new label of "social purpose company" in the Southern part of the country.

¹⁴ In 2005, there were more than 7,300 social co-operatives in Italy; they employed some 244,000 workers.

brand" of social enterprise, provided that it complies with the non-distribution constraint and organizes the representation of certain categories of stakeholders, including workers and beneficiaries. The law on social enterprise identifies a wide - although well defined – range of activities considered as fields of "social utility" in which such an enterprise can operate: welfare services, work integration, environmental services, health, education...

In France, Belgium and Italy, these legal innovations have met, up to now, with little success. This may be explained by the fact that they involve a considerable number of requirements which add to those associated with traditional legal forms, without bringing a real value added for the concerned organizations. In France and Belgium, the notion of social enterprise itself - unlike the concepts of social economy or solidarity-based economy, which have inspired coalitions of actors for the last twenty years, from both the world of associations and that of co-operatives, and which are increasingly characterised by a social entrepreneurial approach - is far from having achieved general recognition.

In the UK, several umbrella organizations bringing together social enterprises and social entrepreneurs - such as the Community Action Network, Social Enterprise London, or the Social Enterprise Coalition (Nyssens and Kerlin, 2009) - were established in the late 1990s and early 2000s. In 2002, there was a sudden acceleration of the debate regarding social enterprise when the UK government defined social enterprises, more than a decade after Italy gave the first impetus to the concept, 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 2002). A Social Enterprise Unit was created in the Department of Trade and Industry.¹⁵ Different tools have been implemented to foster social enterprises' development, such as training programs or support to umbrella structures. A new legal form, the "Community Interest Company" (CIC), was also approved by the British Parliament in 2004. The 1,000th community interest company was created less than two years after the implementation of this legal form.

Public schemes targeting work integration social enterprises: advantages and risks

Social enterprises may be active in a wide spectrum of activities, as the "social purpose" they pursue may refer to many different fields. However, in the 1990s, one major type of social enterprise was clearly dominant across Europe, namely "work integration social enterprises" (WISEs). The main objective of work integration social enterprises is to help low qualified unemployed people, who are at risk of permanent exclusion from the labour market. WISEs integrate these people into work and society through a productive activity (Nyssens, 2006).

In many countries, beside the creation of new legal forms or frameworks, the 1990s have seen the development of specific public programs targeting this field of work integration.¹⁶ This has even led, in several cases, to the concept of social enterprise being

¹⁵ In 2006, the Unit was transferred to the Cabinet office, where it is now linked with government responsibilities for the voluntary sector within the "Third Sector Office".

¹⁶ A specific legal form is sometimes imposed on organizations to be eligible for those public programs. In other cases, this is not the case. Examples of public programs at the national level include those promoting integration enterprises (*empresas de inserção*) in Portugal, integration enterprises and intermediary associations (*entreprises d'insertion* and *associations intermédiaires*, respectively) in France, as well as the

systematically associated with such employment creation initiatives. The Finnish Act on Social Enterprise, passed in 2003, is emblematic of such a trend, as it reserves this term to the field of work integration. According to this Act, a social enterprise, whatever its legal status, is a market-oriented enterprise created for employing people with disabilities or long-term unemployed. In 2006, Poland passed an Act on Social Co-operatives, which are also specifically intended for the work integration of particular needy groups (such as ex-convicts, long-term unemployed, disabled persons and former alcohol or drug addicts). Generally speaking, it may be asserted that WISEs have increasingly represented a tool for implementing active labour market policies. In the Bismarckian countries, in particular, they have really become a "conveyor belt" of such policies.

2.2. The EMES approach of social enterprise

As soon as 1996, i.e. before most of the public policies we have just listed were launched, a major research program funded by the European Commission was undertaken by a group of scholars coming from all EU member states. Named the EMES European Research Network,¹⁷ that group first devoted itself to the definition of a set of criteria to identify organizations likely to be called "social enterprises" in each of the fifteen countries forming the EU by that time. Such a set of criteria was to be considered as a "working hypothesis", not necessarily encompassing the whole reality of social enterprises, but as it turned out, this initial set of indicators proved to be a fairly robust and reliable conceptual framework.

To its merits, the EMES approach derives from extensive dialogue among several disciplines (economics, sociology, political science and management) as well as among the various national traditions and sensitivities present in the European Union. Moreover, guided by a project that was both theoretical and empirical, it preferred from the outset the identification and clarification of indicators over a concise and elegant definition.

Most importantly, such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an "ideal-type" in Weber's terms, i.e. an abstract construction that enables researchers to position themselves within the "galaxy" of social enterprises. In other words, they constitute a tool, somewhat analogous to a compass, which helps the researchers locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply.

Social Economy Program in Ireland. In Germany, "employment enterprises" (*Beschäftigungsgesellschaften*) were founded through a partnership between municipalities, traditional non-profits, and local trade unions. At the regional level, there are public programs focusing on work-integration enterprises (*entreprises d'insertion*), on-the-job training enterprises (*entreprises de formation par le travail*) and social workshops (*sociale werkplaatsen*) in Belgium and on integration enterprises (*empresas de inserción*) in Spain.

¹⁷ The letters EMES stood for "EMergence des Entreprises Sociales en Europe" – i.e. the title in French of the vast research project carried out from 1996 through 2000 by the network. The acronym EMES was subsequently retained when the network decided to become a formal international association and went on to conduct other research projects on social enterprises and, more broadly, on the third sector as a whole. Nowadays, the EMES European Research Network brings together ten university research centers and individual researchers specialized in these fields throughout Europe.

Here, we just list those indicators, without providing the comments which were carefully phrased for each of them and to which we will refer later on, when comparing the EMES approach to other definitions of social enterprise.¹⁸

Four criteria reflect the economic and entrepreneurial dimensions of social enterprises:

- *a continuous activity producing goods and/or selling services;*
- *a high degree of autonomy;*
- *a significant level of economic risk;*
- *a minimum amount of paid work.*

Five other indicators encapsulate the social dimensions of such enterprises:

- *an explicit aim to benefit the community;*
- *an initiative launched by a group of citizens;*
- *a decision-making power not based on capital ownership;*
- *a participatory nature, which involves various parties affected by the activity;*
- *a limited profit distribution.*

Although EMES always worked with such a list of indicators, the latter may also be summarized as follows: "Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They generally rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks related to their activity".

Of course, those economic and social indicators allow identifying brand new social enterprises, but they can also lead to designate as social enterprises older organizations being reshaped by new internal dynamics.

The first research carried out by the EMES network also presented an initial attempt to outline a theory of social enterprise: an "ideal-typical" social enterprise could be seen as a "multiple-goal, multi-stakeholder and multiple-resource enterprise". These theorised features remained untested, though; they thus paved the way for further research. It is why EMES undertook another major research program (in 2001) to explore more deeply these hypotheses, through a comparative analysis of social enterprises in Europe.¹⁹

Although social enterprises are active in a wide variety of fields, including personal social services, urban regeneration, environmental services, and the provision of other public goods or services, researchers decided, in the framework of this second research programme, to focus on work integration social enterprises (WISEs), with a view to allowing meaningful international comparisons and statistical analysis. On such a basis, they made an inventory of the different existing types of social enterprise in the field of on-the-job training and work integration of low-qualified persons. They were able to

¹⁸ Defourny (2001: 16-18). This set of criteria had already been identified in interim reports to the European Commission (EMES European Research Network 1997 and 1998).

¹⁹ Named PERSE, this project focused on the "Performance of Social Enterprises" in the field of work integration. Funded by the 5th Framework Programme of the European Commission (DG Research), it was carried out in twelve EU countries from 2001 through 2004.

identify 39 categories or models of WISE in the twelve countries surveyed,²⁰ and they tested empirically various theoretical hypotheses which had been put forward.²¹

2.3. The US conceptual debate

Let us now turn back again to the US scene, where a review of literature and official documents suggests that the use as such of the concepts of "social entrepreneur", "social entrepreneurship" and "social enterprise" really emerged around the years 1993-5.²² If, in Europe, social movements, researchers mostly involved in social sciences as well as public bodies have been the key actors in the spreading of the debate, in the US, the debate has been strongly shaped by driving forces among which foundations and business schools have played a central role. Among prominent expressions of this emergence were the launching, in 1993, of a "Social Enterprise Initiative" by the Harvard Business School and the renaming, during the same year, of the Alpha Center – which had been set up earlier by a group of business executives - as the "Alpha Centre for Social Entrepreneurs". In a similar vein, various existing organizations, such as Echoing Green and Ashoka, began to adopt officially the term "social entrepreneurs", while new funds dedicated to the latter were also set up as, for instance, by Youth Service America in 1994.

While the 1990s witnessed some convergence towards those three terminological flags, the diversity of approaches and definitions remained and even increased. There were a few attempts to map initiatives and definitions,²³ but it now seems more feasible to identify two major schools of thought, as did Dees and Anderson (2006), whom we have already quoted.

The "earned income" school of thought

Within the first school those authors highlight, the bulk of publications was mainly based on nonprofits' interest to become more commercial and could be described as "prescriptive", as it focused on strategies for starting a business that would earn income for a non-profit organization (Massarsky 2006). Such a trend was strengthened by the blooming of institutions, initiatives and consulting practices to support this new "industry" along the 1990s. Moreover, the National Gathering of Social Entrepreneurs, promoted by a few thought leaders in 1998, greatly helped this emerging community of practitioners and consultants to reach a critical mass.

A few years later, the National Gathering, a central player in the field, became the Social Enterprise Alliance, which defined social enterprise as "any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission".²⁴ The term "social enterprise" was also adopted with the same orientation by

²⁰ The country studies were published in the EMES *Working Papers Series* (www.emes.net). For a synthesis, see Spear and Bidet (2003) and Davister et al. (2004).

²¹ Nyssens (2006).

²² In 1991, Waddock and Post had already published a short paper on "social entrepreneurs and catalytic change".

²³ Boschee (1995) and Waddock and Post (1995).

²⁴ As the Social Enterprise Alliance defined the social enterprise on its website (www.se-alliance.org) for a long period of time. Social enterprise is now defined as follows on its homepage: "An organization or venture that advances its social mission through entrepreneurial, earned income strategies. This vision is

various other organizations, although some of them extended the "social-purpose venture" perspective to a wider set of organizations, including for-profit companies.²⁵ Such a broader and market-oriented conception of social enterprise even crossed the ocean; when a "Social Enterprise Unit" was created in the UK to promote social enterprise across the country, it was set up within the Department of Industry and Trade. Indeed, as mentioned earlier, the British model stresses the business character of social enterprise: although no reference is made to the percentage of market resources in the definition adopted by the Social Enterprise Unit or in the CIC law, it is widely accepted that a significant part (usually 50% or more) of the total income must be market-based for the enterprise to qualify as "social enterprise". Alter (2002) and Nicholls (2006) go even further along the same line, when reserving the term "social enterprise" to fully self-funded organizations, as do Haugh and Tracy (2004) when they define social enterprise as "a business that trades for a social purpose".²⁶

Those developments suggest that the first school of thought and practice already identified in the 1980s has continued to grow until the present days in the US and more recently in the UK, either focusing on the non-profit sector or through an approach embracing a broader set of initiatives. Because of such a wide use of the term "social enterprise" and just "following a convention which has emerged in practice here", Dees and Anderson (2006, p. 41) reluctantly proposed to call that first school, which strongly dominates outside academia, the "social enterprise school of thought". For our part, we rather choose to follow their own comments stressing that they prefer using the term "social enterprise" more broadly, to refer to undertakings with a significant social purpose. In such a perspective, we would rather name that first school the "earned income" school of thought. Within this school of thought, we make a distinction between an earlier version, focusing on nonprofits, that we call the "*commercial non-profit approach*", on the one hand, and a broader version, embracing all forms of business initiatives, that we name the "*social-purpose business approach*", on the other hand.

It should also be noted that some authors, such as Emerson and Twersky (1996), early provided an analysis shifting from a sole market orientation to a broader vision of business methods as a path towards achieving increased effectiveness (and not just a better funding) of social sector organizations. In so doing, they already paved the way for later works of the years 2000s, which would increasingly stress a "double bottom line" vision as well as the creation of a "blended value" in an effort to really balance and better integrate economic and social purposes and strategies (Emerson, 2006). In a way, such recent works contribute to reduce the gap that has existed since the 1980s between the "earned income" school of thought (and its two approaches) and the second school of thought, which we will deal with now. Still, such a gap seems to remain between actual field practices, on the one hand, and writers from universities, foundations or major consultancy organizations, on the other hand.

The "social innovation" school of thought

also found for example in the various programmes of the NESsT (Nonprofit Enterprise and Self-sustainability Team).

²⁵ For instance, the Hass School of Business at UC-Berkeley. See also Boschee (1995) and Austin (2000), the latter stressing particularly partnerships between nonprofits and for-profit companies.

²⁶ As quoted by Mair and Marti (2006).

It is precisely those last authors who, along with organizations like Ashoka, really fed a second major school, that Anderson and Dees (2006) name the "social innovation" school of thought. Indeed, the emphasis is put here on social entrepreneurs in the Schumpeterian meaning of the term, in a perspective similar to that adopted earlier by Young (see above). Social entrepreneurs are defined as change makers as they carry out "new combinations" in at least one the following areas: new services, new quality of services, new methods of production, new production factors, new forms of organizations or new markets. Social entrepreneurship can therefore be a question of outcomes and social impact rather than a question of incomes. Several authors, like Cohen (1995), Leadbeather (1997), Dees (1998), Alvord et al. (2003), Bornstein (2004), Kramer (2005) and Mulgan (2007) among others, have contributed to such a deeper view of social entrepreneurship, the three last publications stressing especially the systemic nature of innovation brought about and its impact at a broad societal level. Various foundations involved in "venture philanthropy", such as the Schwab Foundation and the Skoll Foundation, among others, have embraced the idea that social innovation is central to social entrepreneurship. Along with academic works mainly based on case studies and business schools, celebrations of outstanding social entrepreneurs as modern times' heroes are typical tools providing support and visibility to that school.

Within the "social innovation" school of thought, Dees (1998:4) has proposed the most widely referred to definition of social entrepreneurs. He sees the latter as "playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created".

Although many initiatives of social entrepreneurs result in the setting up of non-profit organizations, most recent works of this school tend to underline blurred frontiers and the existence of opportunities for entrepreneurial social innovation within the private for-profit sector²⁷ and the public sphere as well. By the way, the concept of social entrepreneurship is increasingly described as a very wide spectrum and often appears as the broadest of the three conceptual "SE flags".

3. Convergences and divergences between the European and US debates

These last years have witnessed a growing mutual influence of each side of the Atlantic upon the other, probably with a stronger influence of the US upon Europe than the other way round. More precisely, various authors from European business schools, such as Mair and Marti (2006), Nicholls (2006), Mair, Robinson and Hockerts (2006), among others, may be considered as contributors to the debate which took roots in the US context, although they of course bring in their own background as Europeans. Therefore, our aim here is not at all to oppose the respective evolution of the debate on both sides of the Atlantic. We rather want to point out the convergences as well as the divergences in order to better understand how the European and US landscapes of social enterprise are evolving and what kinds of contextual features may explain differences.

²⁷ See Mair & Marti (2006), among other authors.

3.1. The social mission

On both sides of the Atlantic, the explicit aim to benefit the community or the creation of "social value", rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprises.

This is the first EMES social criterion. Indeed, according to the EMES conception of social enterprise, the social impact on the community is not just a consequence or a side-effect of the economic activity but it is the key motive of the latter. This is also the reason which has justified the development of new legal forms, across Europe, for companies driven by social goals. For example, the UK CIC is dedicated to its expressed community purposes, and the Belgian "social purpose company" is not dedicated to "the enrichment of [its] members", the social finality being defined in the statutes of the company. Italian "social cooperatives" are driven by "the general interest of the community for the human promotion and the social integration of the citizens". The objective of the Portuguese "social solidarity co-operative" is to deliver services that foster the integration of vulnerable groups.

In the United States, the social mission is at the heart of social enterprises and social entrepreneurship as well. Within the "earned income" school of thought, this is obvious for the organisations targeted by the "commercial non-profit approach", as they allocate any profit to the fulfilment of a social mission. As for the "social innovation school", social entrepreneurship dynamics are embedded in firms which may be either non-profit or for-profit but, whatever the type of organisation, the innovation process is primarily oriented to a social or societal change.

However, in the course of the 1990s, various activities undertaken by for-profit firms to assert their corporate social responsibility began to be considered, by some authors, as part of the spectrum of social entrepreneurship (Boschee, 1995 and Austin, 2000); in this perspective, assessing the real weight of social concerns in the mission of the enterprise becomes more difficult. Such an approach might lead to consider any social value-generating activity as belonging to the wide spectrum of social entrepreneurship, even if this activity remains marginal in the firm's overall strategy.²⁸

3.2. The production of goods and services and their relation to the social mission

In a rather classical way, most European and US approaches use the term enterprise to refer to the production of goods and/or services. Accordingly, social enterprises, unlike some non-profit organizations, are normally neither engaged in advocacy, at least not as a major goal, nor in the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity; instead, they are directly involved in the production of goods or the provision of services on a continuous basis.²⁹

²⁸ A large part of the "cross-sector collaboration continuum" proposed by Austin (2000) to analyze partnering relations between corporations and non-profits may fall in this category. More precisely, traditional donations (representing the "philanthropic stage" of relations) or collaborations described as the "transactional stage", such as event sponsorships, cause-related marketing activities or employee volunteer activities, do not, in our view, transform corporations into social enterprises.

²⁹ We are aware of the possibility to argue that advocating nonprofits may also be described, to a certain extent, as service providers.

However, differences appear between the various schools of thought when considering the nature of this production activity. When speaking of social enterprise in Europe, it appears that the production of goods and/or services does itself constitute the way in which the social mission is pursued. In other words, the nature of the economic activity is closely connected to the social mission: the production process involves low-qualified people if the goal is to create jobs for that target group; if the social enterprise's mission is to develop social services, the economic activity is actually the delivery of such social services, and so on. This type of approach is also found in the US social innovation school, which considers that social enterprises implement innovative strategies to tackle social needs through the provision of goods or services. Although the innovating behaviour may only refer to the production process or to the way goods or services are delivered, it always remains linked to the latter, the provision of such goods or services therefore representing the reason, or one of the main reasons, for the existence of the social enterprise.

By contrast, for the US "commercial non-profit approach", the trading activity is often simply considered as a source of income, and the nature of the traded goods or services does not really matter as such. So, in this perspective, social enterprises can develop business activities which are only related to the social mission through the financial resources they help to secure.

3.3. Economic risks

Social enterprises are generally viewed as organizations characterized by a significant level of economic risk.

According to the EMES criteria, this means that the financial viability of social enterprises depends on the efforts of their members to secure adequate resources for supporting the enterprise's social mission. These resources can have a hybrid character: they may come from trading activities, from public subsidies or from voluntary resources.³⁰ Although the public opinion tends to associate the concept of economic risk to a market orientation, rigorous definitions, including for instance definitions in EU legislation, see an enterprise as an organization or an undertaking bearing some risk but not necessarily seeking market resources.

This conception appears to be shared to a large extent by the "social innovation" school of thought. Indeed, according to Dees (1998), the centrality of the social mission implies a very specific mix of human and financial resource, and social entrepreneurs explore all types of resources, from donations to commercial revenues. Bearing economic risks does not necessarily mean that economic sustainability must be achieved only through a trading activity; it rather refers to the fact that those who establish the enterprise assume the risk of the initiative.

By contrast, for the US "commercial non-profit approach" and "social-purpose business approach" (which form together the "earned income" US school of thought), to be a social enterprise means relying mainly on market resources. For the authors belonging to this school, the economic risk tends to be correlated with the amount or the share of

³⁰ For an empirical analysis of the resource mixes in European work integration social enterprises, see Gardin (2006).

income generated through trade. This vision is shared by some European policies, which tend to require a market orientation from social enterprises. In the United Kingdom, for example, social enterprises are seen first and foremost as businesses (see above). The Finish Act on social enterprise and the social economy program in Ireland also describe these organisations as market-oriented enterprises. Many Italian social cooperatives are financed through contracts which are passed with the public authorities in a more or less competitive market.

The divergence between the "social innovation" school and the "earned income" school as to the economic risk should not be overstated, though. Viewing social entrepreneurship as a social-purpose business is increasingly common among business schools and foundations which foster more broadly business methods, not just earned-income strategies, for achieving social impacts. In this last perspective, we are coming back to the recent efforts made by Dees and Anderson (2006) and Emerson (2006) to stress converging trends between both major US schools, at least in parts of the academic debate.

3.4. The structure of governance

As we have seen, social enterprises are, across Europe, mainly embedded in the third sector tradition, and more precisely in its associative and/or in its cooperative component. At first sight, the same could be said about US social enterprises emerging within the non-profit sector. In the latter case, however, we know that the main driving force was - and often still is - the search for market incomes, while the bulk of the European third sector tradition has always been associated with a quest for more democracy in the economy. As a result, the governance structure of social enterprise has attracted much more attention in Europe than in the United States, as shown by the EMES approach as well as by various public policies, across Europe, promoting social enterprises. As the governance structure can be seen as the set of organisational devices that ensure that the organisation's mission is pursued, it can be analysed along several dimensions.

First, in the European conception, social enterprises are characterized by a high degree of autonomy. According to the EMES definition, they are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Accordingly, they may receive public or private support but they are not managed, directly or indirectly, by public authorities or by a for-profit firm and they have the right of "voice and exit" (the right to take up their own position as well as the right to terminate their activity).³¹ This condition of autonomy clearly diverges from the conception of the "Social Enterprise Knowledge Network", according to which a short-term project with a social value undertaken by a for-profit enterprise or a public body can be considered as a social enterprise. For this network, formed by leading Latin-American business schools and the Harvard Business School, "any kind of organization or undertaking engaged in activities of significant social value, or in the production of goods and services with an embedded social purpose, regardless of legal form" (Austin et al., 2004: xxv), can be considered as a social enterprise.

³¹ See Defourny (2001, 16-18) for all comments of the EMES criteria.

Secondly, the ideal-typical social enterprise defined by EMES is based on a collective dynamics and the involvement of different stakeholders in the governance of the organization. The various categories of stakeholders may include beneficiaries, employees, volunteers, public authorities, and donors, among others. They can be involved in the membership or in the board of the social enterprise, thereby creating a "multi-stakeholder ownership" (Bacchiega and Borzaga, 2003). Such a multi-stakeholders ownership is even recognized or required by national level legislations in various countries (Italy, Portugal, Greece and France).³² Stakeholders can also participate through channels that are less formal than membership, such as representation and participation of users and workers in different committees in the everyday life of the enterprise. In many cases indeed, one of the aims of social enterprises is to foster democracy at the local level through economic activity. To that extent, this approach to social enterprise remains clearly in line with and rooted in third sector literature, especially that part of it focusing on community development.

This insistence on collective dynamics contrasts with the emphasis put in the US debate on the individual profile of social entrepreneurs and their central role. The EMES approach does not exclude, of course, emerging social enterprises in which a charismatic leader or a dynamic entrepreneur plays a key role in the enterprise, but such persons are generally viewed as supported by a group whose members are collectively responsible for the public benefit mission of the social enterprise.³³

Thirdly, one of the EMES criteria states that the decision-making power is not based on capital ownership, again reflecting the quest for more economic democracy that characterises the field of social enterprise in Europe, in the tradition of cooperatives. This generally means that the organisation applies the principle of "one member, one vote", or at least that the voting power in the governing body that has the ultimate decision-making rights is not distributed according to capital shares. Once more, such rules are reflected in different national legal frameworks designed for social enterprises, the majority of them requiring the rule of "one member, one vote".³⁴

³² In Italian social cooperatives, workers are members of the cooperative and disadvantaged workers should be members of the B-type cooperative that employs them, if this is compatible with their situation. The statutes may also foresee the presence of volunteers in the membership. In Portuguese "social solidarity cooperatives", users and workers must be effective members. In French "collective interest co-operative societies", at least three types of stakeholders must be represented: workers, users and at least a third category, defined according to the project carried out by the cooperative. As to Greek social co-operatives, they are based on a partnership between individuals of the "target group", psychiatric hospital workers and institutions from the community, and these different stakeholders have to be represented in the board of the organization.

³³ Nicholls (2006) explains that Banks (1972), interestingly, first coined the term "social entrepreneur" while referring to management approaches inspired by values such as those promoted by Robert Owen, a major utopian widely considered as a father of... the cooperative movement.

³⁴ It is the case for the Italian "social cooperative", the Portuguese "social solidarity co-operative", the Spanish "social initiative cooperative" and the French "collective interest co-operative society". In the Belgian "social purpose company", no single person can have more than 1/10th of the total number of votes linked to the shares being represented. The Belgian social purpose company also provides for procedures allowing each employee to participate in the enterprise's governance through the ownership of capital shares.

Fourthly, the power and prerogatives of shareholders are also limited by restrictions regarding the distribution of profits. Indeed, according to the EMES criteria, the field of social enterprises includes organizations that are characterized by a total non-distribution constraint and organizations which may distribute profits but to a limited extent, thus avoiding a profit-maximizing behaviour. European legal frameworks also reduce the power of social enterprises' shareholders by prohibiting³⁵ or limiting³⁶ the distribution of profits. In the US debate, by contrast, only the "commercial non-profit approach" (within the "earned income" school of thought explicitly locates social enterprise in the field of non-profit organisations, i.e. entities whose surplus is entirely retained by the organization for the fulfilment of its social mission (it has to be noted that this conception does not preclude NPOs from promoting the development of for-profit undertakings to generate market income and profits to be allocated for the social mission of the NPO). On the contrary, for the "social-purpose business approach" within the same school, as well as for the "social innovation school of thought", social enterprise may adopt any kind of legal frameworks and may therefore, in some cases, distribute surplus to shareholders.

To sum up these four dimensions, as Young and Salamon state, "in Europe, the notion of social enterprise focuses more heavily on the way an organisation is governed and what its purpose is rather than on whether it strictly adheres to the non-distribution constraint of a formal non-profit organisation" (2002: 433). As a matter of fact, although the EMES approach of social enterprise also includes this feature by its "limited profit distribution" criterion, it goes further than that, by incorporating other aspects which are central to characterising social enterprise's governance structure and guarantee its social mission.

In the last three or four years, however, a relatively new discourse, crossing the ocean and the Channel, has appeared on the continental European scene, spreading mainly through business schools, as already mentioned. It seems to emphasize social entrepreneurship more than social enterprise, as a sub-field to be studied and taught within the growing field of entrepreneurship or as a potentially distinct field.³⁷ Adopting a broad view, it does not seem to really underline organizational features as key tools to guarantee the primacy of the social mission.

3.5. Channels for the diffusion of social innovation

In the European context, the process of institutionalization of social enterprises has often been closely linked to the evolution of public policies. As we have seen, social enterprises were pioneers in promoting the integration of excluded persons through a productive activity and a historical perspective shows that they have contributed to the development of new public schemes and legal frameworks. Such public policies, however, have not been designed and implemented without raising important questions and strong debates. More precisely, the nature of social enterprises' mission appears to be

³⁵ In Portuguese "social solidarity co-operatives" and Spanish "social initiative cooperatives", any distribution of profit is forbidden.

³⁶ Distribution of profit is limited by strong rules in Italian "social cooperatives" and Belgian "social purpose companies". The British "community interest company" includes an asset lock which restricts the distribution of profits and assets to its members; the dividend payable on the shares is subject to a cap set by the regulator.

³⁷ Indeed, scholars are increasingly exploring strategies to foster social entrepreneurship as a field of its own. (Dees, 2007)

a contested issue between promoters of social enterprises and public bodies. Public schemes often frame their objectives in a way that is considered as too narrow by some promoters, with a risk of reducing social enterprises to the status of instruments to achieve specific goals which are given priority on the political agenda. On the other side, it is clear that recognition through public policies has been and still is a key channel for the diffusion of various models of social enterprise throughout Europe.

In other contexts, such as the United States, the scaling up of social innovation has also been a concern from the outset, especially for the "social innovation" school of thought, historically led by Ashoka. However, social innovation in the US has been expected, typically, to expand through the growth of the enterprise itself³⁸ and/or with the support of foundations bringing a leverage effect to the initiative through increased financial means and professional skills as well as through celebration and demonstration strategies. Such trajectories are not without risks, as a strong reliance on private actors may involve some perverse effects. The main ones could result from a kind of implicitly shared confidence in market forces to solve an increasing part of social issues in modern societies. Even though various scholars stress the need to mobilize various types of resources, it is not impossible that the current wave of social entrepreneurship may act as a priority-setting process and a selection process of social challenges deserving to be addressed because of their potential in terms of earned income. This probably explains to a large extent why large segments of the non-profit sector in the US as well as the community and voluntary sector in the UK express major fears of excessive confidence in market-oriented social enterprises on the part of both private organizations (foundations and major corporations within CSR strategies) or public policies seeking to combat social problems while reducing allocated budgets.

Conclusions

Beside clear divergences on some important points, our analysis also allowed us to identify strong converging features, especially between the EMES approach and European traditions, on the one hand, and the US social innovation school of thought, on the other hand. We have also noted some recent efforts in the US academic debate to go beyond the strong divergences which used to characterize the two major US schools of thought.

We could synthesize our analysis by providing a tentative clarification of the respective meaning of the "three flags" that have been hoisted up in the last twelve or fifteen years: the notions of "social entrepreneur", "social entrepreneurship" and "social enterprise".

Beyond the great diversity of national or regional contexts, it seems that there is a growing agreement to see the concept of social entrepreneurship as the broader, and probably the vaguer, of these three notions. Indeed, social entrepreneurship may be viewed as a wide spectrum of initiatives or practices, even though there might be strong

³⁸ A key example, often referred to, is provided by the Grameen Bank, which underwent a remarkable growth before it inspired other microfinance initiatives across the world.

controversies as to what kinds of organizations and practices might constitute the extreme points of such a spectrum.³⁹

As to social entrepreneurs, their profile has been particularly highlighted in the US; European traditions, even though they have rather emphasized collective dynamics as the background of social innovation, have never denied the central importance of leadership either. Indeed, many socio-economic innovations may be traced back to the initiative of a key person or a small group of persons who brought about "new combinations" in a Schumpeterian perspective.⁴⁰ As to the methods adopted by such leading persons, it is not difficult to acknowledge the fact that a move towards professionalization and the use of (some) business methods have become more common, even among a large number of traditional non-profit or voluntary organizations.

When it comes to the notion of social enterprise, it is more difficult to identify convergences, as we observe a growing tendency in the US to qualify as "social enterprises" those initiatives which tend to be fully self-financed, regardless of any defining features other than a vaguely alleged social mission. Even though it is easy to point out a trend, among European social enterprises, towards considering the potential of market income, what is really at stake here is the way in which the primacy of a social mission can be preserved.

In Europe, specific governance structures are put forward with a twofold objective. First, a democratic control and/or a participatory involvement of stakeholders reflect the quest for more economic democracy, in the tradition of cooperatives. They therefore add to constraints on the distribution of profits with a view to protecting and strengthening the primacy of the social mission, which is at the very heart of the organization. Secondly, those two combined guarantees (often involving a strict non-distribution constraint) often act as a "signal" allowing public authorities to support social enterprises in various ways (legal frameworks, public subsidies, fiscal exemptions, etc.). Without these two guarantees, the risk would be greater that public subsidies just induce more profits to be distributed among owners or managers. In turn, such public support often allows social enterprises to avoid purely market-oriented strategies, which, in many cases, would lead them away from those who cannot afford market prices and nevertheless constitute the group that they target in accordance with their social mission. Public policies are also supposed to avoid that the neediest groups depend primarily on private philanthropy. In this overall perspective, our view is that a well-balanced conception of social enterprise is not only meaningful in the academic debate; it is also needed to avoid temptations to simplify social challenges, which must be addressed in a multi-dimensional way.

Last but not least, the historical perspective we have adopted suggests that the distinctive features of social enterprise are deeply rooted in the social, economic, political and cultural contexts in which these organisations emerge. This has at least two major implications. First, contrasting with the analysis of market forces or stock exchange

³⁹ The possibility of representing such a spectrum along a single dimension (for instance the level of self-financing, as done by Nicholls, 2006) is another question. For sure, it is possible to argue that a few key dimensions, not just a single one, should be taken into account.

⁴⁰ It is quite easy to find clear parallels between Dees' definition of social entrepreneurs (1998) and the way in which the EMES Network introduces its approach through an adaptation of Schumpeter's "new combinations" to the field of social enterprise (Defourny, 2001, 11-14).

movements, whose major principles increasingly become universal, the understanding of social entrepreneurship and social enterprises requires that researchers humbly take into account the local or national specificities which shape these initiatives in various ways. This, by the way, is also true for the whole third sector, to which the bulk of social enterprises belong, in spite of the current diversification of their forms. Secondly, it is clear that supporting the development of social enterprise cannot be done just through exporting US or European approaches.⁴¹ Unless they are embedded in local contexts, social enterprises will just be replications of formula that will last only as long as they are fashionable.

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⁴¹ For instance, when collaborating with the UNDP to analyze the potential for promoting social enterprise in Central and Eastern European countries and in the Community of Independent States, the EMES Network decided to radically simplify its approach based on Western European experiences (EMES – UNDP, 2008)

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