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The EMES Approach of Social  
Enterprise in a Comparative  
Perspective

Jacques DEFOURNY  
University of Liège (Belgium)

Marthe NYSSSENS  
Catholic University of Louvain (Belgium)

EMES European Research Network

# OVERVIEW

1. Major historical steps in Europe
2. The approach built up by the EMES European Research Network
3. Social enterprises in the whole social economy (third sector)
4. Towards a EU – US Comparative Perspective
5. Convergences and Divergences
6. Conclusions

# 1. Major historical steps in Europe

## A. ITALY: THE BOOM OF « SOCIAL CO-OPERATIVES »

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

## B. THE WORKS OF THE « EMES EUROPEAN NETWORK »

- ✓ The emergence of social enterprises in the 15 member states of the EU (1996-2000)
  - ➡ a common European approach to the social entrep.
  - ➡ A European overview of social enterprises (main areas: work integration, personal services, local development)
  - ➡ Book « The Emergence of Social Enterprise » (Borzaga and Defourny, eds), Routledge, 2001
- ✓ Social enterprises in the field of integration by work - « Work Integration Social Enterprises » (2001-2005)
  - ➡ European overview of « WISEs »
  - ➡ Book « Social Enterprise. At the Crossroads of Market, Public Policies and Civil Society » (M. Nyssens, ed.), Routledge, 2006

## C. PUBLIC POLICIES PROMOTING SOCIAL ENTERPRISES

- Creation of federative bodies providing various types of technical support (for instance, the Italian Consorzi)
- Setting up of public or public-private funds providing seed capital, loans and other financial supports (France, Belgium,...)
- Promoting access of SE to public procurement (e.g. local public goods)
- Public policies focusing explicitly on the promotion of SE (UK since 2002, EQUAL programme,...)
- New legal frameworks designed for SE

- New legal frameworks related to the "cooperative model":
  - Italy (1991): "social cooperative"
  - Portugal (1998): "social solidarity cooperative"
  - Spain (1999): "social initiative cooperative"
  - France (2001): "cooperative society of collective interest"
  - Poland (2007): "social cooperative"
  
- New legal frameworks based on a more "open model":
  - Belgium (1995): "social purpose company"
  - United Kingdom (2004): "community interest company"
  - Finland (2004): "social enterprise"
  - Italy (2006): "social enterprise"

## D. THE STRATEGY OF THE BRITISH GOVERNMENT

- ✓ 2002: publication of the document « Social Enterprise: a Strategy for Success » (Secretary of State for Trade and Industry)
- ✓ A quite open definition of social enterprise as a business « with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. »
- ✓ 2006: Social Enterprise Unit within the Office of the Third Sector
- ✓ Large variety of activities developed by social enterprises: health and social care, community and social services, education, estate activities, etc.
- ✓ Annual Social Enterprise Research Conferences (Skoll Centre, CRU, ...)

## 2. The approach built by the EMES Network

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



A methodological tool rather than  
a normative framework

- The 4 economic criteria:
  - A continuous activity producing goods and/or services
  - A high degree of autonomy
  - A significant level of economic risk
  - A minimum amount of paid work

- The 5 social criteria:

- An explicit aim to benefit the community
- An initiative launched by a group of citizens
- A decision-making power not based on capital ownership
- A participatory nature, which involves the persons affected by the activity
- Limited profit distribution

 Conception of the social enterprise deeply rooted in the third sector (social economy)

The concept of social enterprise  
is double-sided:

Social enterprises can be

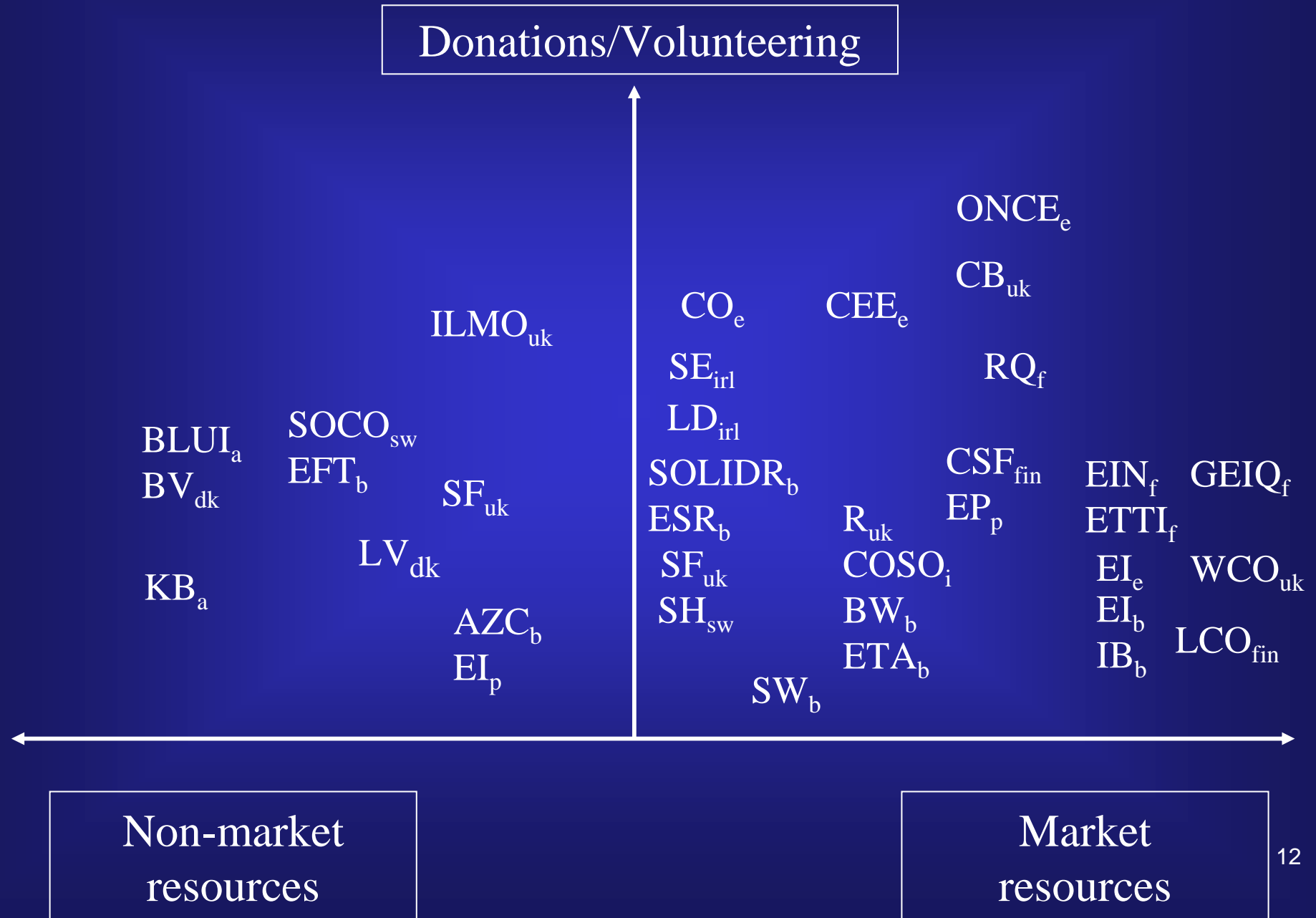
**NEW ENTITIES**

**OR**

**ALREADY EXISTING ORGANISATIONS**

reshaped by a new dynamics

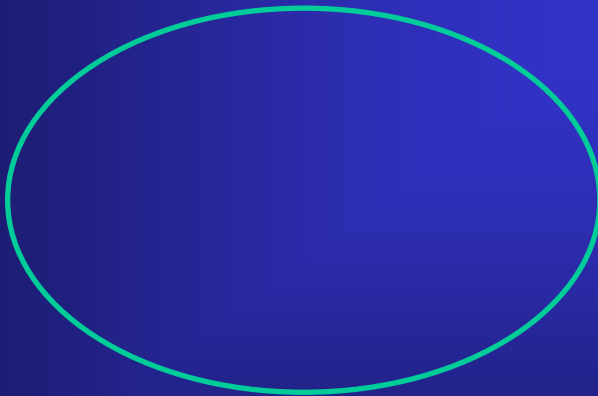
# An empirical application: WISEs in the EU



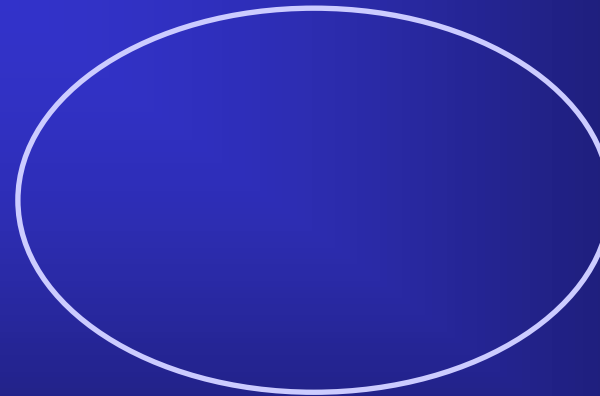
### 3. Social enterprises in the whole social economy (third sector)

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

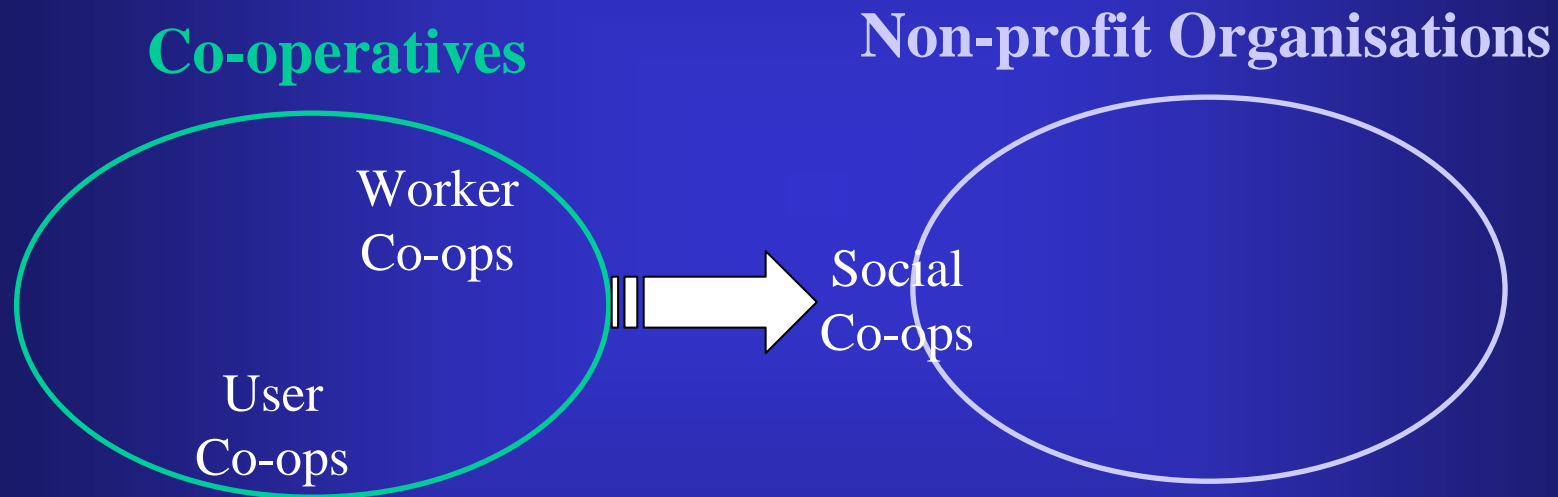
Co-operatives



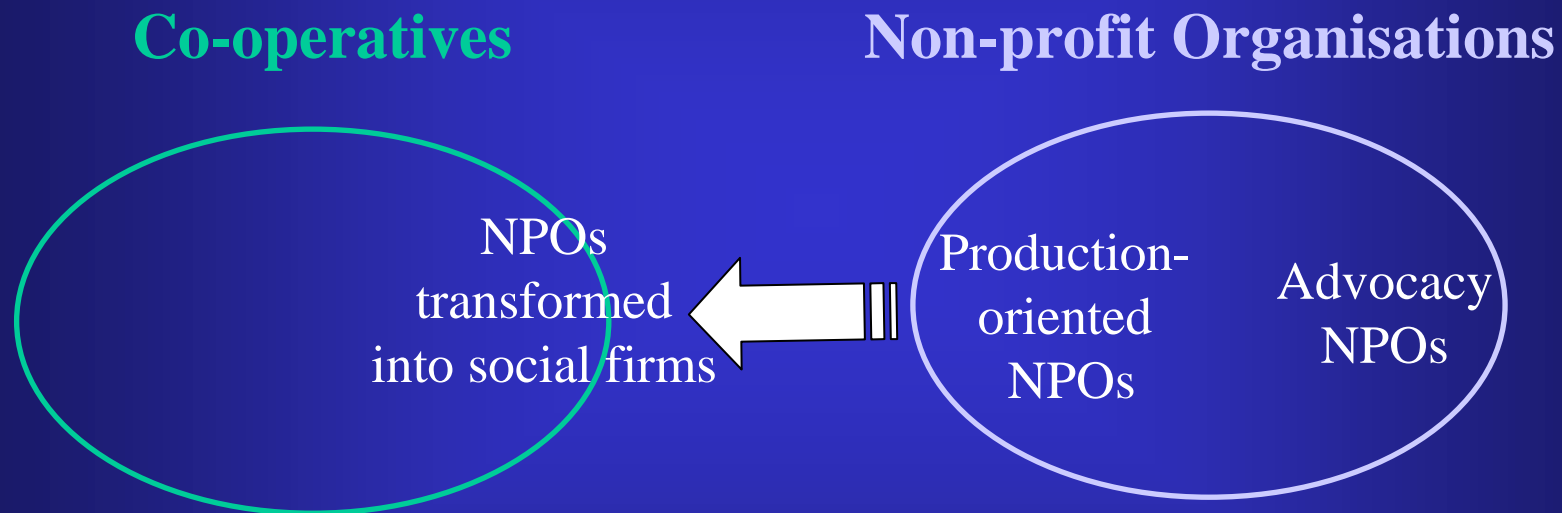
Non-profit Organisations



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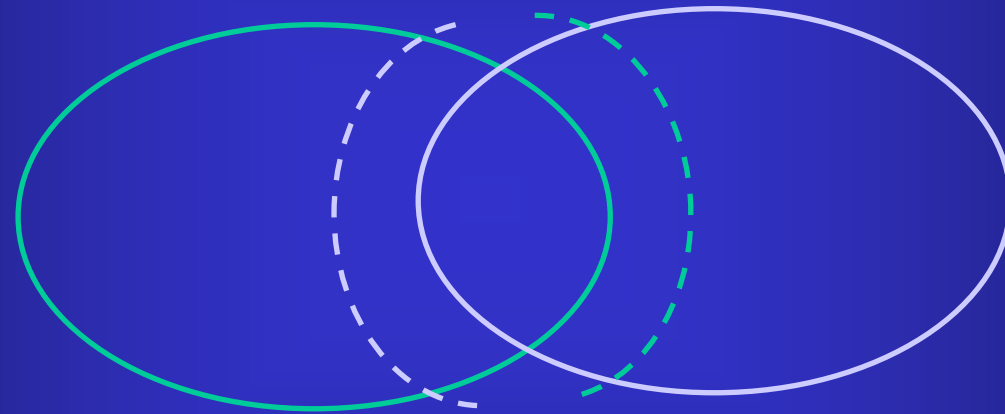


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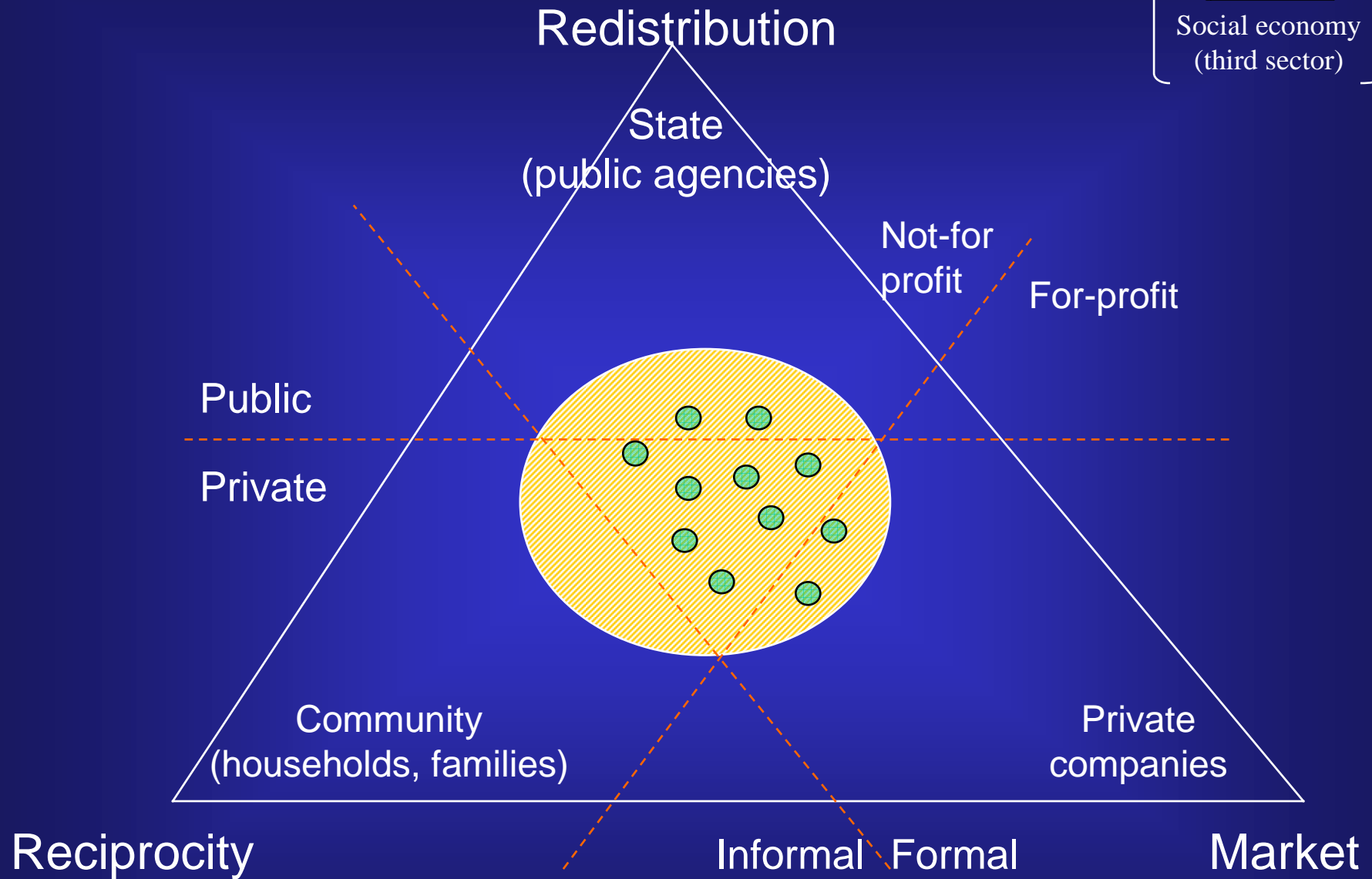
# A. THE SOCIAL ENTERPRISE AS A BRIDGE BETWEEN THE ASSOCIATIVE (NPOs) AND THE CO-OPERATIVE WORLDS

Co-operatives      Non-profit Organisations



SOCIAL  
ENTERPRISES

## B. LOCATING SE IN THE WHOLE ECONOMY



## 4. Towards a EU –US Comparative Perspective

### A. Backgrounds of the debate

- On both sides of the Atlantic, new entrepreneurial behaviours driven by a primary social purpose mainly took place **within the third sector**
  - In the US, Third Sector = **Non Profit** Organizations
  - In Europe, Third Sector = **Not For Profit** Organizations (include cooperatives) => Quest for economic democracy
- On both sides of the Atlantic, **changes in public funding** of the third sector played an important role
  - In the US, shortcuts **in the volume** of public grants
  - In Europe, **forms** - rather than the volume - of public funding were transformed: quasi-market, second labor programs

- Key social actors which have shaped the debate
  - In Europe
    - Innovative Third Sector Organizations (TSOs)
    - **Federative bodies** advocate for a better recognition of their specificities
    - New **legal forms** and public schemes
    - First, mainly scholars from **social sciences**, then business schools
  - In the US
    - NPOs mobilizing **market income**
    - Innovative **social entrepreneurs**
    - Blooming of **foundations** and consulting companies to support this new « industry »
    - Mainly scholars from **business schools**

## B. Three major conceptions of social enterprise with an international influence

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

- The “**Earned Income**” school of thought
- The “**Social Innovation**” school of thought

Conception rooted in the EU context

- The “**EMES approach**”

Since the years 2000:

- Major influence of the two US schools of thought in other regions
- Diffusion of the EMES approach in various regions

## a. The “Earned Income” school of thought

### Early version: the “Commercial Non-Profit” approach

- It focuses on earned-income strategies for NPOs
- Social enterprise: « any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission »  
(Social Enterprise Alliance )
- The bulk of publications can be described as prescriptive

## The “Earned Income” school of thought (cont.)

Later version: the “Mission-driven business” approach

- Social enterprise: “any business that trade for a social purpose” (Austin)
- Shift from a sole market orientation to a broader vision of business methods to more effective, not just better-funded, social sector organizations (Emerson; Twersky)

## b. The “ Social Innovation” school of thought

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

- Systemic nature of innovation
- Emphasis on outcomes rather than on incomes

## Recent attempts by scholars of both schools to converge on the following aspects:

- Social impact enlarged to blended value creation
- Importance of business methods and earned income
- Any kind of legal forms: for-profit, nonprofit, public body  
(Austin, 2006 : « Social entrepreneurship: it is for corporation, too »)

## c. The EMES approach (summary)

- **An economic project**
  - Continuous production with some paid work
  - Economic risk (mix of resources)
- **Primacy of social aim**
  - Limited profit distribution
- **A participatory governance**
  - High degree of autonomy
  - Stakeholders' involvement
  - Decision-making power not based on capital ownership

# 5. Convergences and Divergences

## 1. The social mission of the enterprise

*For profit*

*At the core of the  
enterprise*



Project linked  
to Corporate  
Social Responsibility

“EMES ideal –type SE”  
European legal frameworks

“ Social Innovation school”  
“Commercial non profit approach”

“Mission- driven business approach”



## 2. The economic dimension of the enterprise

### *The production of goods or services*

- For all schools, such organisations produce goods and/or services
- For EMES, this productive activity is, usually, related to the social mission of the social enterprise
- The “Social Innovation” school seems to share this approach
- For the “Earned Income” school, social enterprises can develop business activities unrelated to the social mission to provide financial resources

## 2. The economic dimension of the enterprise (cont.)

### *The economic risk*

*Economic risk =  
market income*

*Economic risk =  
mix of resources*



“Earned income school”

“EMES ideal –type SE”



“Social Innovation school”



European legal frameworks

### 3. The governance of the enterprise

How to guarantee the fulfillment of the social mission ?

*Social  
entrepreneur*

*Collective forms of  
governance*



“Social Innovation School”

“EMES ideal –type SE”

Multiple stakeholder ownership

Economic democracy: limits in  
voting power and return on capital shares

European legal frameworks

“Commercial non profit approach”

Collective appropriation of profit  
(non distribution constraint)

“Mission-driven business approach”

Which governance guarantees the social mission?

## 4. The diffusion of social innovation

- In the European context: institutionalization of the social enterprises in the landscape of public policies:
  - ✓ Collective forms of governance as a trust signal allowing public bodies to support social enterprises in various ways (new legal forms, public schemes...);
  - ✓ Risk : instrumentalisation of social enterprise according to the priorities of the government's agenda (WISE)
- The “Social Innovation” school: focus on the question of the scale of social innovation processes inside the enterprise:
  - ✓ Support of foundations bringing a leverage effect
  - ✓ Risk: move from primary social mission to blended value creation

## 4. Conclusions

- In Europe, insistence on specific **governance structures** rather than on the mission-driven behaviour of the social entrepreneur:
  - ✓ it reflects the quest for more economic democracy
  - ✓ a "signal" allowing public authorities to support social enterprises in various ways
- The EMES conception and European traditions appear to be close
  - ✓ to the "Social Innovation" school:  
the economic activity directly reflects the social mission
  - ✓ to the "Commercial non profit approach “:  
NPO - social enterprises are clearly part of the third sector

- **Concepts are embedded in their specific contexts:**
  - ✓ A contextual analysis of social enterprise and social entrepreneurship is required to take into account national specificities
  - ✓ The support to this field cannot be done just by exporting US or European approaches...



## C. SOCIAL ENTERPRISE INTERACTING WITH PUBLIC POLICY AND THE PRIVATE FOR-PROFIT SECTOR

