

## Yunus Centre for Social Business & Health

researching the relationship between poverty alleviation and health

*“Social Enterprises are Politically,  
Culturally, Historically and  
Geographically Variable”*

A (very) brief introduction to the complex  
and dynamic world of social enterprise  
and related ambiguous terms

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## Social Enterprise 'Definition' - UK

“...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 or owners.”

Department of Trade and Industry (2002 p3)

N.B. This is not a LEGAL definition: it's an operational one...

# Social enterprise is highly contested!

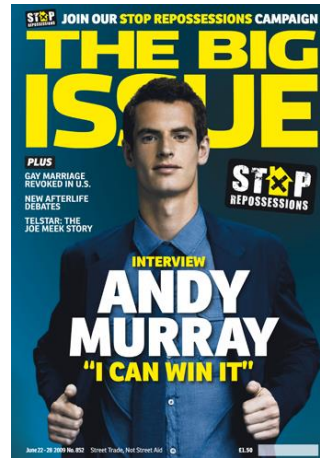
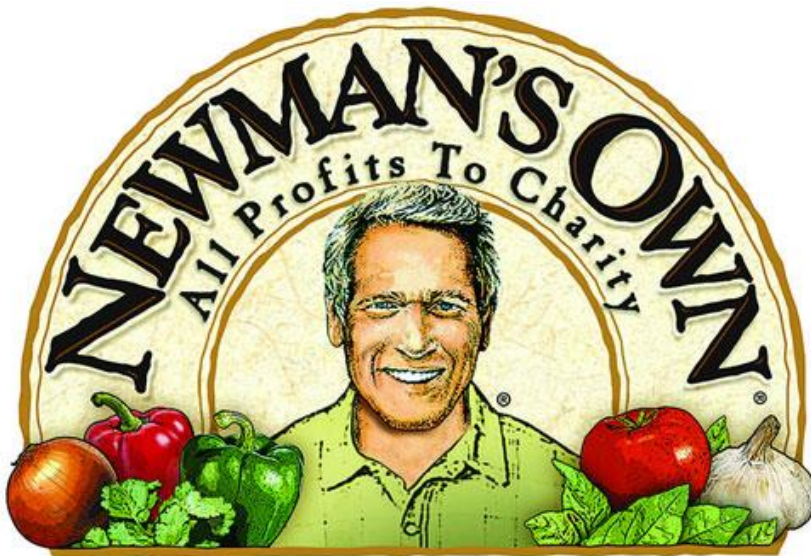
- “...a fluid and contested concept constructed by different actors promoting different discourses connected to different organisational forms and drawing upon different academic theories” (Teasdale, 2012: 99)
- “...offer either a partial or a complete rejection of established rules of international capitalism” (Ridley-Duff and Bull, 2011: 100)
- Aim to “create wealth in communities and keep it there. They trade on a ‘not-for-personal-profit’ basis, re-investing surplus back into their community...effecting social, economic and environmental...outcomes” (Teasdale, 2012: 105-106)
- A (potential) means of unlocking the “social and economic capacities latent in even the most deprived communities” (Amin et al., 2003: 27)

## Historical Background

- Social Enterprise as a concept existed well before the mid 1990s (arguably since at least the Industrial Revolution) when the term began to be used in Western Europe and the US
- Thought of (at least by some people) as being the entrepreneurial / trading part of the ‘Third Sector’ – that space between the public and private sectors (Evers and Laville, 2004) (/synonymous with the “social economy”)
- Presented as a potential solution for providing goods and services to persons or communities whose needs were not being met either by private companies (Market Failure) or by Government (State Failure)

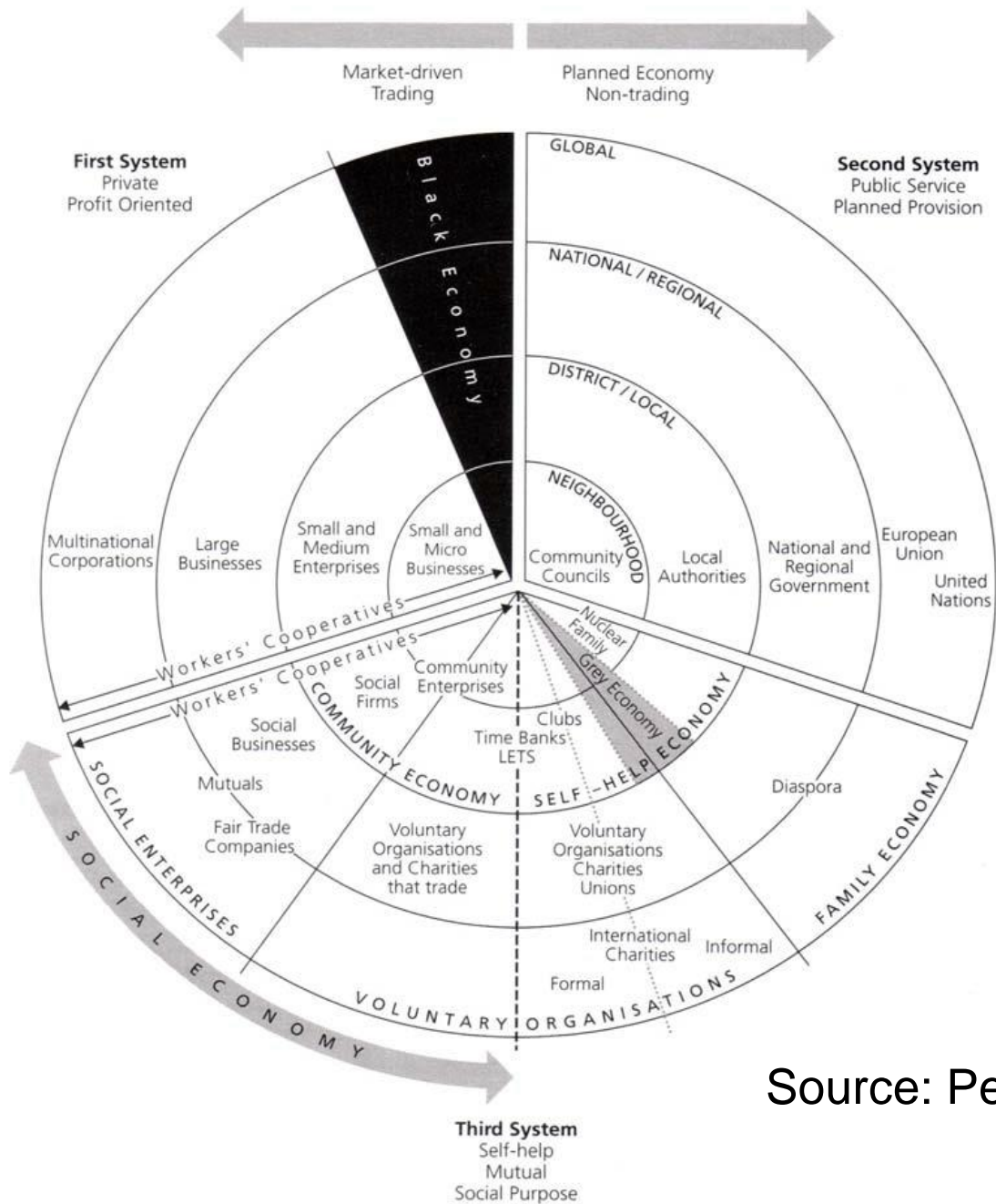
## Western Europe

- The term SE appeared in Italy: *Impresa Sociale*.
- From the 1970s onwards, new co-operative entities emerged there in order to respond to 'unmet needs', particularly work integration and personal services. Laws passed (particularly 1991) creating new forms of 'social co-operative'
- Many other countries followed, several of which instigated new legal forms (e.g. the CIC model in the UK) which reflected a 'new' entrepreneurial approach of 'not for profit' organisations
- Specific policy attention: Blair's New Labour government (1997-2010) in the UK was particularly attracted to the notion
- (Scotland slower to get in on the act – from 2007 onwards)
- But, in general, European policy very largely linked to Work Integration (WISEs) and attempts to address issues of social exclusion



A social enterprise is a trading entity whose surpluses are reinvested for the benefit of social objectives (a 'social mission') rather than for distribution to shareholders or owners (Borzaga and Defourny, 2001; Nyssens, 2006)

### Three Systems of the Economy



Source: Pearce (2003)

## Meanwhile, in the United States

In the US, referred to the use of commercial activities by non-profit organisations in support of their mission

Bill Drayton and Ashoka: early 80s, based upon mainstream entrepreneurial thinking, identify and support outstanding individuals with new ideas for scaling sustainable social change (the 'hero' social entrepreneur)

Various foundations got in on the act: Schwab Foundation, Skoll Foundation, embraced the idea that 'innovation' is central to social entrepreneurship.



## Major conceptualisations (according to Defourny and Nyssens (2010))

1. The 'earned income' school of thought (US)
2. The 'social innovation' school of thought (US)
3. The *EMES approach* (Europe)

# 1. The 'earned income' school

Based upon the interest of non profits to become more commercial

Could be described as 'prescriptive', in other words from business schools/consultancy firms, focused on strategies to start a business or diversify, to

- earn income in order to support an organisation's social mission and diversify its funding base:
- any earned-income business or strategy undertaken by a non-profit in support of its charitable mission

Influential on UK Government policy of the late 1990s and 2000s.

Crucially, both 'commercial non-profit approach' and 'mission-driven business approach' (which includes 'for profits') fall into this category.

## 2. The 'social innovation' school

The emphasis is on social entrepreneurs in the Schumpeterian meaning of the term (creative destruction etc.)

Entrepreneurs in the non-profit sector seen as 'change makers' e.g. Ashoka

Innovation is (obviously) central. Is 'novelty' necessarily good?

In the UK, Charles Leadbeater, consultant with DEMOS and close to New Labour:

*“...the potential of social entrepreneurs to create forms of active welfare which are both cheaper and more effective than the traditional services offered by the welfare state”*

*“welfare state....which we know is ill equipped to deal with modern social problems it has to confront”*

(Leadbeater, 1996)

In the US, Peter Drucker: the “megastate” fails to live up to promises. Thus Social Entrepreneurs seen to “correct” what states have either done wrong or failed to do. Linked to critique of the welfare state, and the supposed failure of state based solutions – this plays into concept of ‘Third Way’, and especially neo-liberal hegemony (which will be explained).

### 3. The EMES approach

In 1996 i.e. before major European policies launched, major European funded project:

*EMergence des Enterprises Sociales en Europe*

[www.emes.net](http://www.emes.net)

EMES approach stresses:

- democratic, participatory governance models
- the importance of the state to support social enterprises as a 'co-producer' of public goods and services, and to avoid purely market-oriented strategies

### 3. The EMES 'criteria'

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

*‘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’ (Defourny and Nyssens 2008, p. 204)*

# Polanyi

The EMES conceptualisation of SE is greatly influenced by Karl Polanyi and his critique of 'market societies'.

*The Great Transformation* (Polanyi, 1944) attempts to explain the deficiencies of the self-regulated market and the potentially dire social consequences of untempered market capitalism.

Polanyi explained that society was organised around three different types of relationship (or 'principles'):

- reciprocity (usually in the form of community or household)
- redistribution (usually by the state)
- exchange (usually by the market)

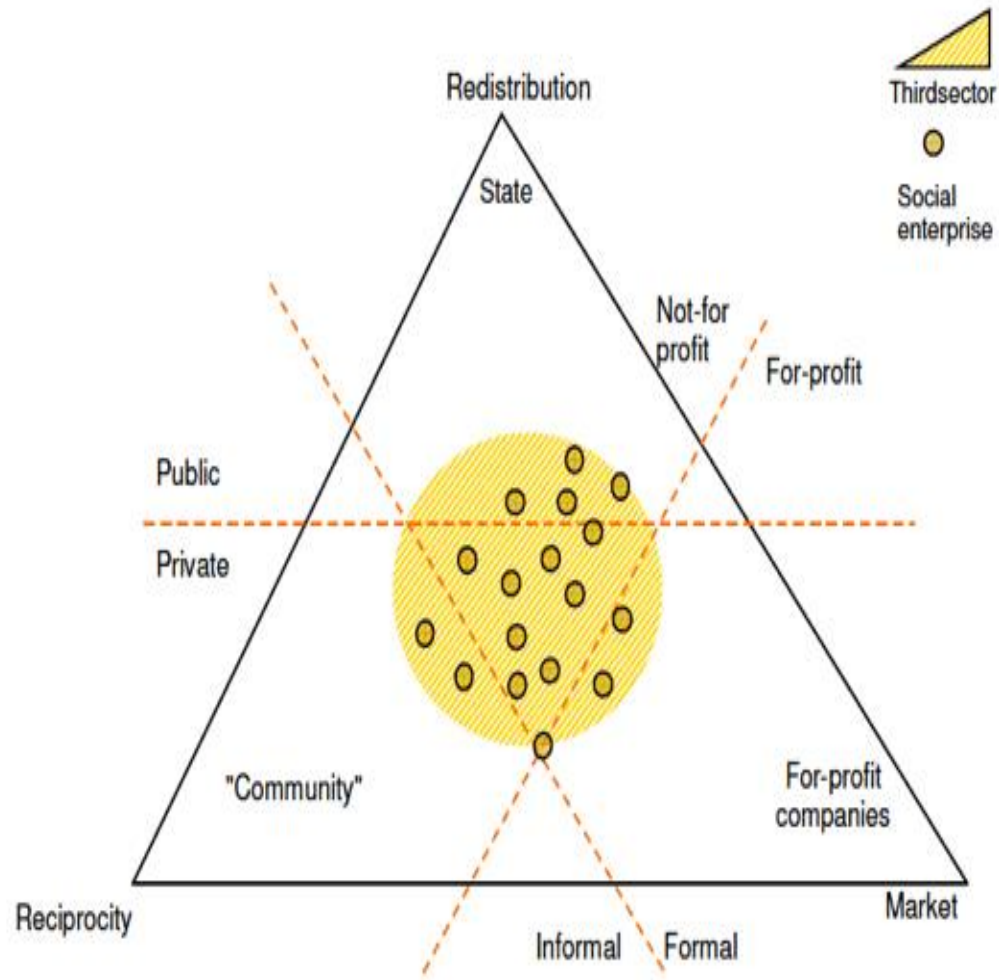
Usually societies – at different times – have one or more dominant characteristics.



## Polanyi ctd

The EMES approach is thus an ‘operationalisation’ of Polanyi’s ‘substantive approach’:

“By following Polanyi and his ‘substantive approach’ to the economy, we argue that social enterprises combine the economic principles of market, redistribution and reciprocity and hybridize these three types of economic exchange so that they work together rather than in isolation from each other” (Defourny and Nyssens, 2006, pp. 10–11)



Source: Defourny and Nyssens (2012); original based on Pestoff (1998, 2005)

## However...

- The distinction between the various schools of thought is actually 'normative' – relating to an 'ideal type'
- In the real world, life isn't ideal!
- In the UK we have seen the concept of SE being stretched beyond recognition – ['concept stretching' (Sartori, 1970)] arguably making the term (practically) meaningless.
- Misappropriated and abused for ideological reasons?

## So...

- Social enterprise is a contested concept
- Means different things in different places, cultures, contexts, spaces
- Various schools of thought exist, grew up almost independently of each other before converging fairly recently into what we have now
- The rest of the world is trying to 'make sense' of the various discourses and adapt them to suit
- So we have an increasing 'creolization' of the various concepts across the world: same language (often), but different meanings

## And so we have:

Social business

Social enterprise

Social venture

Community business

Community enterprise

Socially entrepreneurial organisation

Community led social venture etc etc etc

Thank you!

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