

Defining Social Enterprises

During the 1980-ties a new type of private enterprises emerged in several European countries. They produced goods or services for the market or for sale to public organisations. They had special social goals and aims to benefit the local community or some special group of people, often weak groups in the population as homeless or unemployed people, addicts, former convicts etc.. In 1996/97 researchers from 15 countries in EU met and started the Emes Research Network. In the beginning of the research process they formulated the first definition of the concept **social enterprise**. It was a working definition which was supposed to be changed later in the process but it turned out to be fairly robust and reliable. This definition distinguishes between four criteria that are of an economic character:

A continuous activity producing goods and/or selling services (to customers or organizations in the community)

A high degree of autonomy,

A significant level of economic risk,

A minimum amount of paid work (not only voluntary work),

Five other criteria are more social:

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 (including staff, disabled workers, customers and volunteers)

A limited profit distribution to prevent "mission drift".

The Emes research network has published two other research reports where these nine criteria for social enterprises have been used. One report was published in 2006 and described and analyzed the different forms and activities run by social enterprises in Southern and Western Europe (Nyssens 2006). The other report - two years later - described the social needs among citizens in Eastern Europe and the growth of new social enterprises there. (Borzaga, Galera & Nogales 2008).

The Emes research network has gradually been enlarged and has produced reports about social enterprises and work integration social enterprises (so called WISEs) from different parts of Europe and other continents as well. For example, in 2016 researchers from the Scandinavian countries produced a very interesting report about social enterprises and social entrepreneurship in the Nordic countries (Lundegaard Andersen, Gawell & Spear 2016).

In a recent report from the European commission the nine criteria have been limited and included in three important dimensions, which are crucial for all social enterprises (Borzaga et al 2020).

The first dimension is the *entrepreneurial or economic dimension* that social enterprises need to have stable and continuous production of goods and services. And they use production factors functioning in the monetary economy as paid work, capital and other assets.

The second is the *social dimension*. Social enterprises pursue the explicit social aim of serving the community or a specific group of people. The products and services must also be social and generate direct benefits for the entire community or specific groups of disadvantaged people. The set of services delivered can comprise welfare, health, educational or culture service. But also utilities as water, gas, or electricity supply if that is needed in the community.

The third dimension is called the inclusive ownership or governance dimension. Participation of all stakeholders is necessary when running a social enterprise. That means that all people involved in the enterprise have a voice, eg. employed workers, volunteers and users. To prevent mission drift social enterprises must also keep a rule of profit distribution limits. This dimension focus on the working conditions, internal climate and power relations in the social enterprises.

The report from the EU Commission also stress that *Social Enterprise* is a general organizational definition focusing on the internal features of the social enterprise. The concept is used for all units, which share the same main features.

But there are also subcategories which are *sector-specific*. For example *Work integration social enterprises (WISEs)* are such a sector-specific category. The WISEs are active in the field of "social inclusion" and their aim is to offer (paid) work to people who are disadvantaged workers or excluded from the labour market for some reason.

This report is in favour of just two concepts used: **social enterprise** as the main concept and **work integration social enterprise** as a sub-category and sector specific concept. Many other terms are used in different settings, for example social cooperatives, social entrepreneurship or social innovation. But these concepts have different connotations focusing a special organizational form or phenomenon.

References:

Lundegaard Andersen L, Gawell M & Spear R (2016): Social Enterprises and Social Entrepreneurship in the Nordic countries, London: Routledge

Borzaga C & Defourny J (eds) (2001): The Emergence of Social Enterprise, London: Routledge, p. 15-16

Nyssens M (2006): Social Enterprise. At the crossroads of market, public policy and civil society. London: Routledge

Borzaga C, Galera G & Nogales R (2008): Social enterprise. A new model for poverty reduction and employment generation. Emes and UNDP Regional Bureau.

Borzaga C et al (2020): Social Enterprises and their ecosystems in Europe. Comparative synthesis report. European Commission.