

Social Enterprise: strong or weak social innovation ?

Marthe Nyssens

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I. SE and schools of thought

Defourny, Jacques ; Nyssens, Marthe. (2010).

A. US : Two main schools of thought

- Earned income school

First stream : NPO developing earned income

Second stream: Any business that trade for a social purpose

- Social innovation school: stresses social innovation processes undertaken by social entrepreneurs

B. Europe

- EMES "approach" : Social purpose, economic dimension, participative governance

The co-existence of these different schools (most often in a implicit way) of thought have led to a widely shared feeling of **conceptual confusion**

II. The novelty of the ICSEM Project (1)

1. **No definition** of social enterprise imposed or even suggested *a priori*.
2. The very first key question : to what extent does the notion of social enterprise make sense in each national **context** and with respect to existing « neighbouring » **concepts**
3. Instead of trying to capture the huge diversity of social enterprises at a time, the ICSEM Project relies on the notion of **SE models** (categories, types, industries..).
4. The apparent confusion of the SE landscape is overcome by a two-steps research strategy
 - A. **Mapping major SE models** to capture the diversity among SE models
 - B. **Capturing the internal diversity** in each SE model (reliance on local researchers' deep understanding of their context)



ICSEM 1st Phase (2013-2015)

Country-based Contributions:

1. Understanding concepts and contexts
2. Typology of social enterprise models
3. Institutional trajectories of SE models

40 ICSEM Working Papers already available

12 more coming soon

About **55 countries** covered

More than **230 researchers** involved in the preparation of country-contributions



www.iap-socent.be/icsem-project



ICSEM 2d Phase (2016-2018)

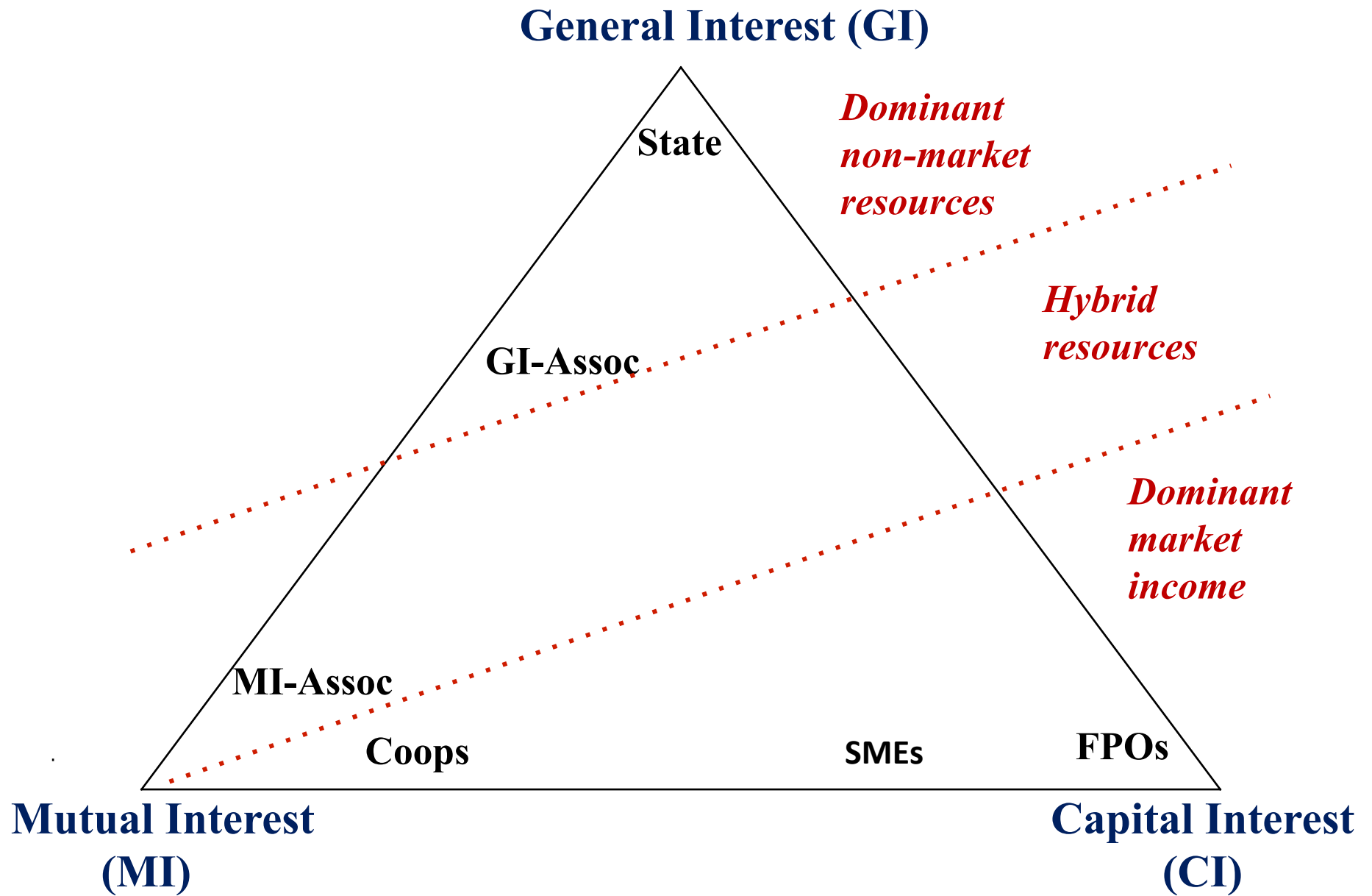
1. **Comparative analysis** of SE models and institutional trajectories, mainly on the basis of country-contributions
(see the other 3 papers in this ICSEM session)
2. **Survey** carried out with a common questionnaire to build an **international database covering some 730 social enterprises** deemed emblematic of SE models identified in Phase 1
3. **Statistical analysis** of this international database
(just started)



III. 4 major SE models rooted in theory

1. There are already SE typologies (Alter, Kerlin, Young, etc)
2. Here we try to go further and especially **deeper with «Principles of Interest»** as fundamental motives, beyond fields, modes of creation, legal forms, countries' specificities, etc.





Defourny, Jacques, Nyssens, Marthe, Fundamentals for an International Typology of Social Enterprise Models, Voluntas (2017)

Institutional logics generating SE Models

Within the triangle (the whole economy), we identify SE **institutional logics and trajectories** that are made of 3 elements:

- A starting point , i.e. a type of organization or a « matrix » characterized by a specific **principle of interest**
- A move (arrow) expressing a **shift towards general interest** and /or to **more market income**
- A **social enterprise model** (that can evolve)

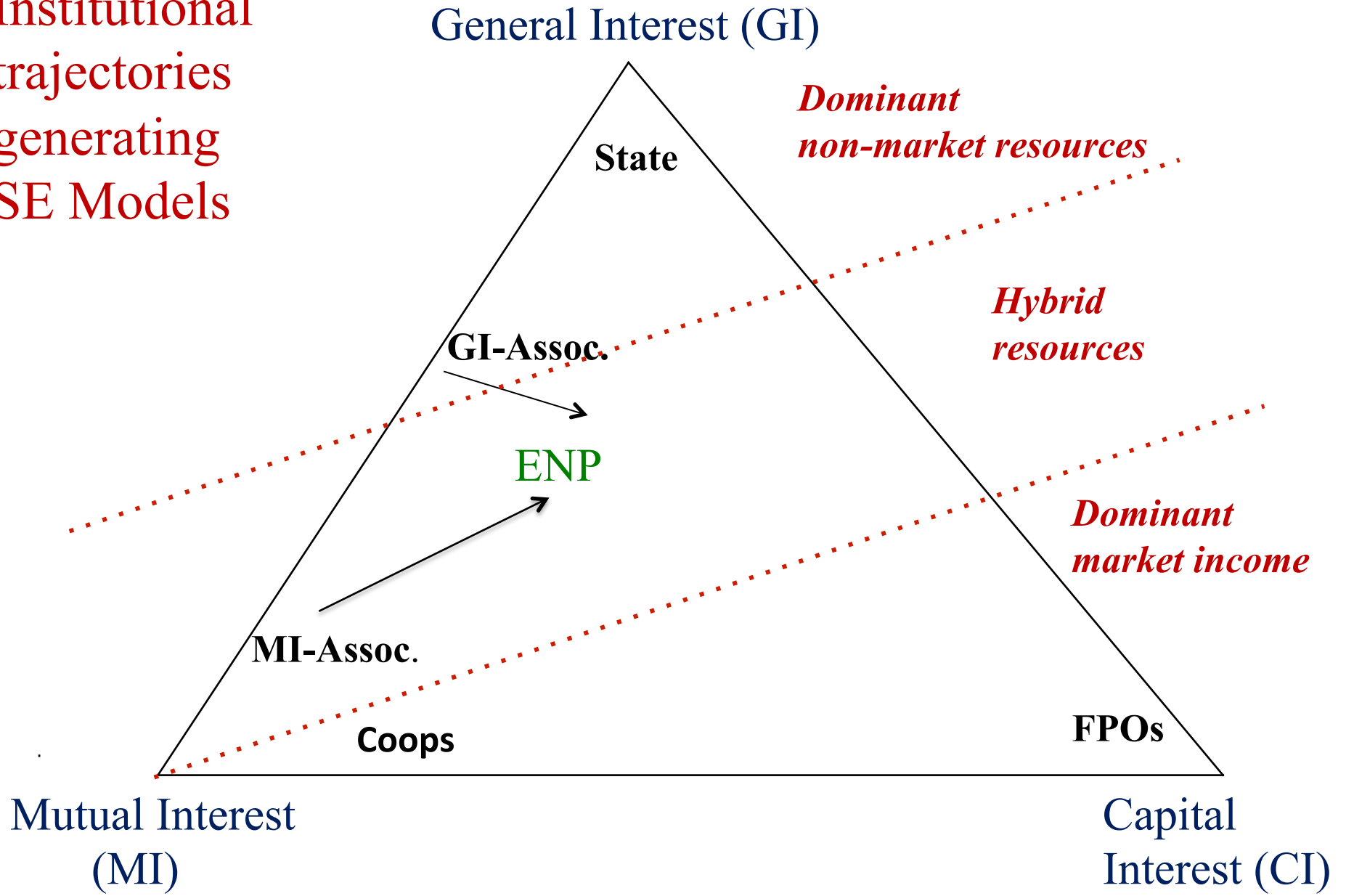


Model 1: Entrepreneurial NPO

NPO developing any earned-income business or/and other entrepreneurial strategies in support of its social mission

- NPO with a mission-unrelated trading activity (trading charities : a shop whose surplus finances the social service...)
- NPO's subsidiary with a trading activity
- NPO with mission-centric economic activities developing entrepreneurial strategies (WISE...)

Institutional trajectories generating SE Models

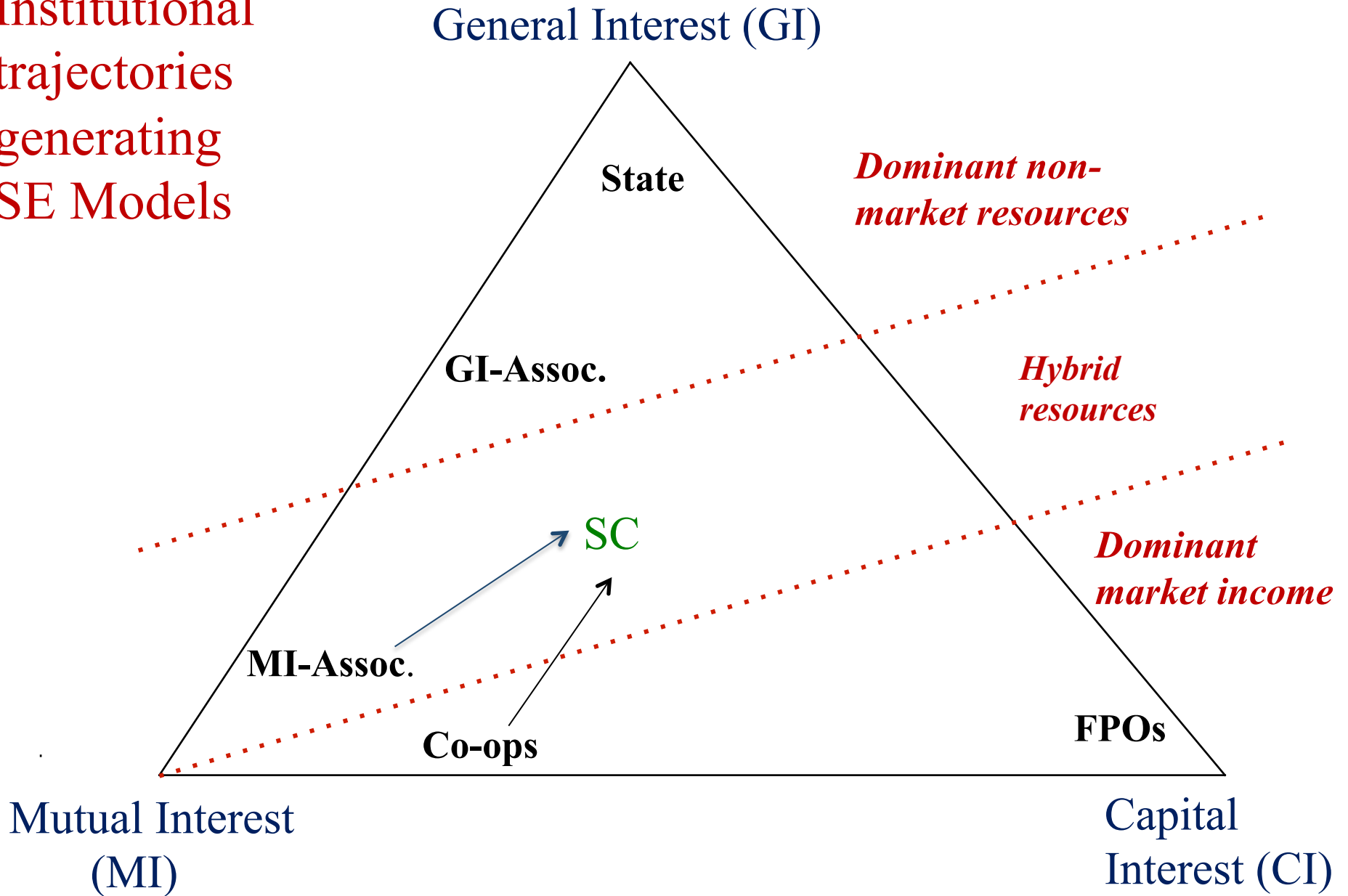


Model 2: Social cooperative

Cooperative or cooperative – like enterprise implementing economic democracy and combining mutual interest with the interest of the whole community or with the interest of a specific target group

- Single stakeholders coop. (popular economy labor – managed firms, renewable energy citizens' coop., etc.)
- Multiple stakeholders coop. (short circuits coop. with producers and consumers, Italian social coops)

Institutional trajectories generating SE Models

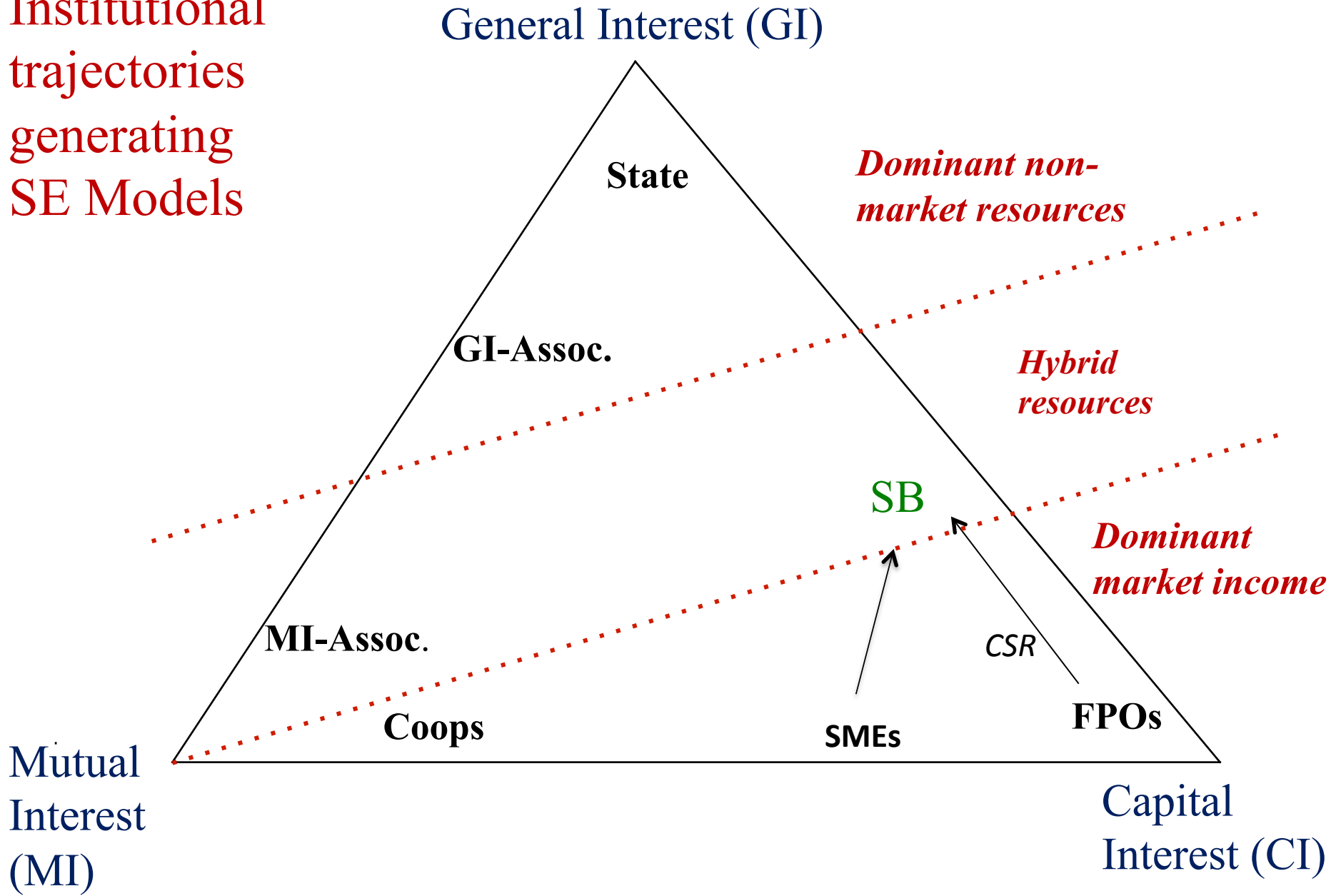


Model 3: Social business

Shareholder company combining business activities with the primacy of a social mission:

- SMEs combining a for-profit motive with the primacy of their social mission
- "Yunus type" social business: a non-loss, non-dividend, fully market-based company dedicated entirely to achieving a social goal
- Social intrapreneurship strategies developed by large companies well beyond instrumental CSR strategies

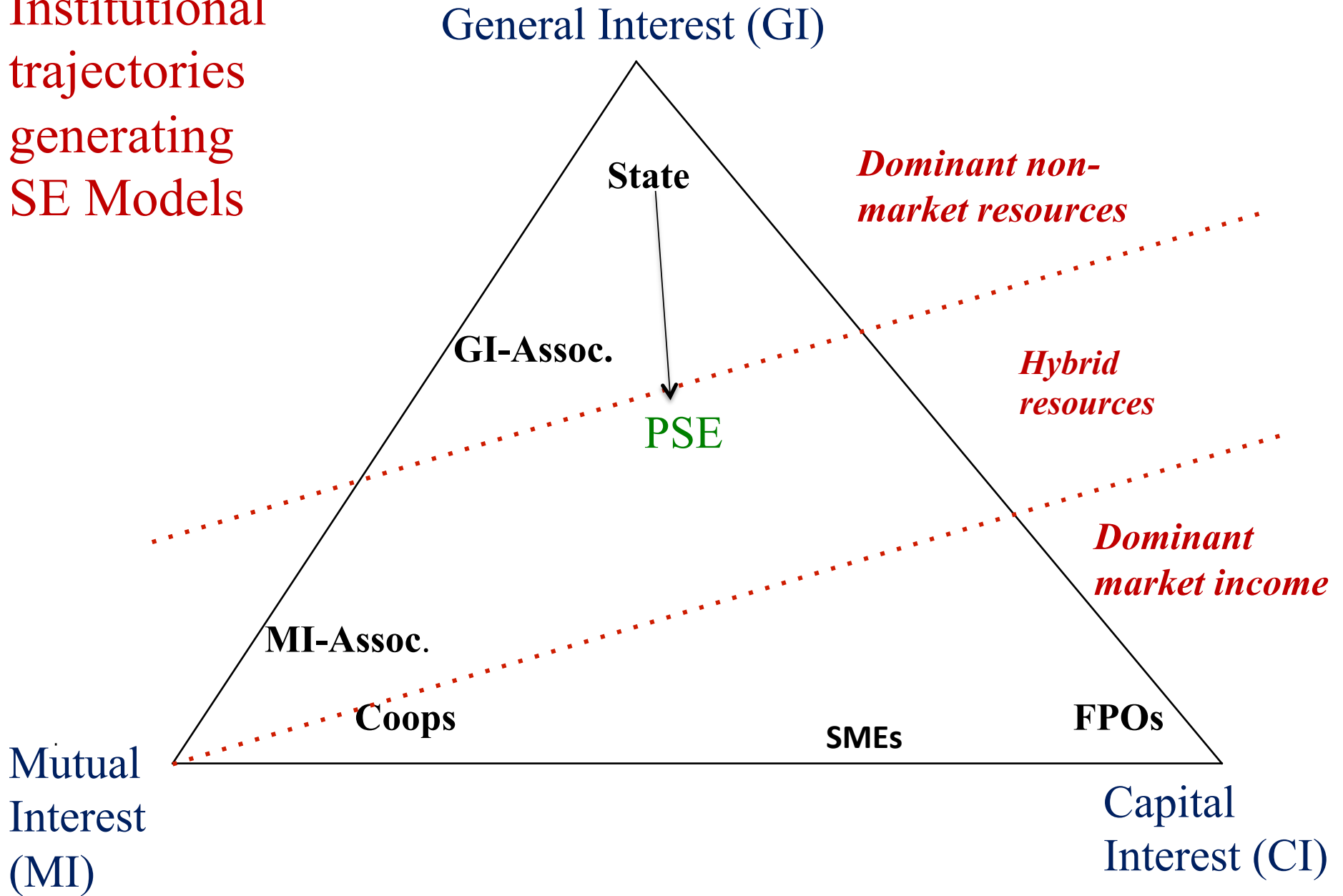
Institutional trajectories generating SE Models



Model 4: Public Sector Social Enterprise

Public sector spin-off : a WISE developed by a local public welfare centre, social services delivered by a local public body on a quasi-market...)

Institutional trajectories generating SE Models

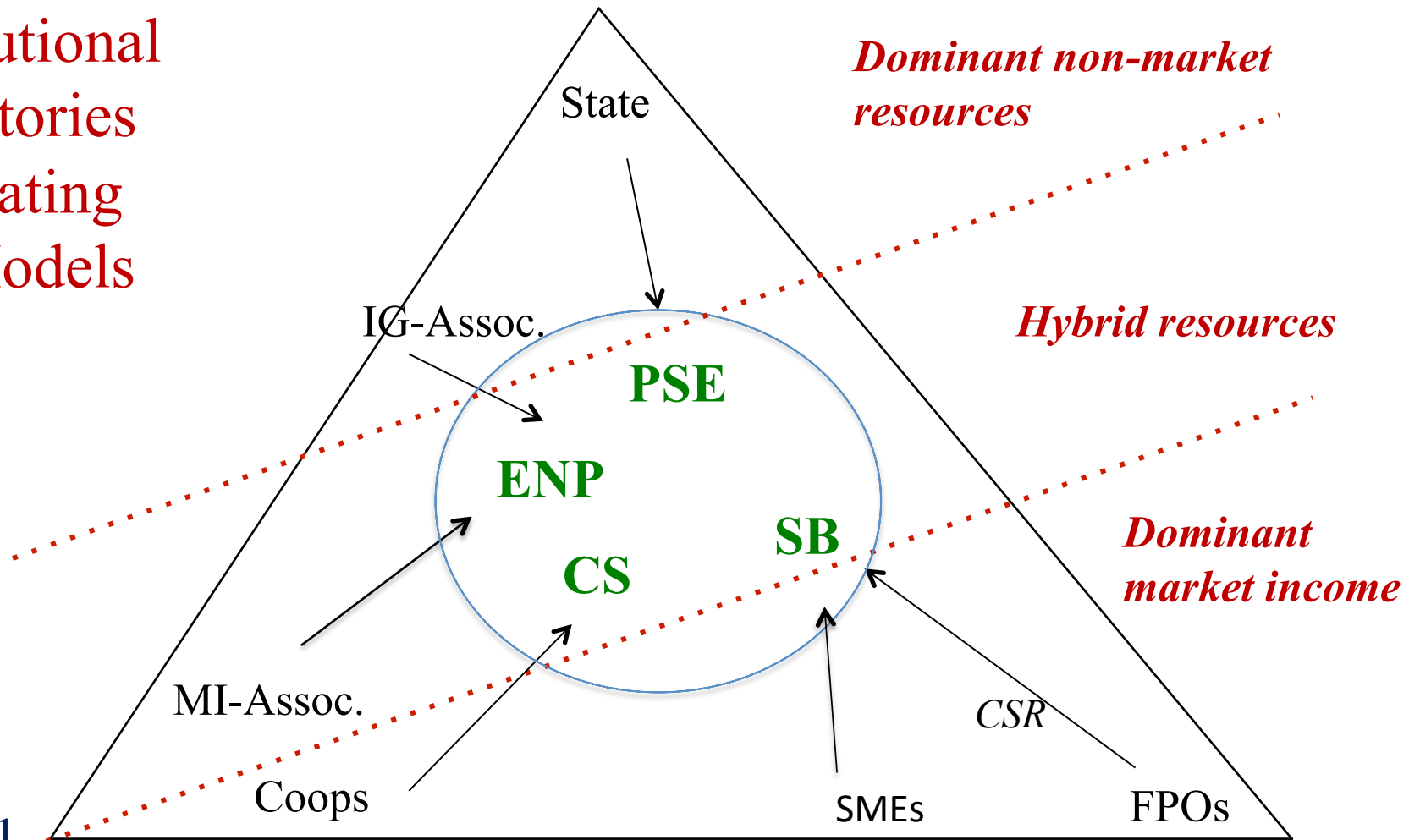


Institutional trajectories generating SE Models

Mutual Interest (MI)

General Interest (GI)

Capital Interest (CI)



- For most SE approaches: primacy of social mission
- Wide spectrum of social missions
 - Linked to the nature of goods and services (health, social services...)
 - Related to processes or forms of relationships between social actors (WISE, Fair trade)
 - Embedded in broader societal values (fostering economic democracy, ecological transition,...)

... that can be combined

Social mission SE models	Work integration	Access to health or social services	Ethical consumption /production Ecological and social transition	Fighting poverty and social exclusion	...
Entrepreneurial nonprofit	WISE implemented by a charity	Association providing home care services for elderly	Associative Fair trade shop	NGO providing access to training and credit	
Public sector SE	WISE implemented by a local public service	Local public body providing social services on a quasi-market			
Social cooperative ➤ Single stakeholder ➤ Multiple stakeholder	Popular economy Labor managed firm Type B Social coop. (Italy)	Coop of health care professionals	Renewable energy citizens' coop. Coop. in short circuits	Coopec (IMF) Community development coop.	
Social Business ➤ SME ➤ Yunus type	Social venture with primacy of its social mission: hiring vulnerable people	A social worker starting a residential care institution	SME active in fair trade	Grameen-Danone social business	

IV. Social enterprise and social innovation: a weak conception

- Innovative potential of SEs but tensions...
- Do the hybrid logics trigger a mission drift ?
- Do SEs....
 - promote institutional economic diversity and democracy ?
 - participate in the privatization and neo-liberal turn taken by our societies ?

A weak conception of social innovation

« Any kind of innovation which has a social impact »

Innovative entrepreneurial dynamics meeting market and state failures

- New products

- Recycling industry
- Renewable energy
- Care services
- ...

- New beneficiaries ("the bottom of the pyramid")

- Providing childcare in disadvantaged areas
- Providing jobs to excluded people from the labour market (WISE)
- Microfinance
- ...

A weak conception of social innovation

« Any kind of innovation which has a social impact »

- Social by its impact « positive and measurable »
- Insistence on:
 - Effective assessment and metrics
 - Scaling up
 - Growth of the organization
 - Reproduction of the model
 - Support of "venture philanthropy" and "impact investing" bringing a leverage effect

A weak conception of social innovation (cont.)

« Any kind of innovation which has a social impact »

- // Weak conception of sustainable development: the social dimension comes alongside the traditional ones

Risk + Return (financial) + Impact (social) (J.P.Morgan, 2012)

"Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return." (thegiin.org)

- In phase with a specific SE conception
 - a SE generating "blended value" (economic, social, environmental)
 - with positive and measurable effects
 - Market forces as self - regulation mechanisms

V. Towards a strong conception of social innovation

A strong conception of social innovation

- A preliminary : “Social innovations are social both in their ends and in their means” (BEPA, 2010)
- “...the success of the innovation will rest on the participation and involvement of a wide variety of interests – the users and beneficiaries of the innovation as well as the producers and suppliers” (Murray et al., 2010) ”
- Production of social value through the provision of goods and services meeting important needs of a community (innovation in services) and the implementation of specific governance patterns (institutional innovation) are deeply interrelated (Moulaert et al., 2013)

Towards a strong conception of social innovation

« Social innovation is also institutional innovation... »

A. Inside the enterprise

- Governance structure: a key factor for fostering social innovation (specificity of the EMES approach)
 - Primacy of social aim (Not only "impact" but also "end")
 - Autonomy of governance bodies: not managed, be it directly or indirectly, by public authorities or FPO
 - A participative dynamic which involves various parties affected by the activity (multiple stakeholder ownership)
- New European laws reflecting "economic democracy" (16 laws)
 - Constraints on profit distribution and asset lock
 - Limitation to the rights of shareholders
 - Multiple stakeholders ownership

- Not only new products or new clients but also ...
- New methods of organisation and/or of production
 - Parental childcare initiatives,
 - Local coops gathering local producers and consumers
 - Fair trade : new market relationships
 -

B. The different scales of social innovation

- Insufficient to design specific modes of governance in the SE without taking into account higher spatial scales
- Co-construction of private (label, local partnership...) and public norms (public policies)
- In the European context, the process of institutionalization of SE closely linked to public policies
 - WISE : a pioneering role in the field of active labor policies
 - Public procurement and social clauses
 - ...

- To adopt a strong conception of social innovation and social enterprise is to recognize that...
- SI (and SE) produces social impact
- But also ... SI produces, norms and institutions (private and public) inside the SE and outside which contribute to a more sustainable society

Conclusions

- Even if all the practices covered by SI and SE are not new, these concepts are fashionable...
- A variety of stakeholders (re)discover the possibility to develop entrepreneurship and innovation focused on social aims
- Organizational forms are more and more diverse and cover a large spectrum of industry
- Is it this (too much?) flexibility, the reason of its success ?

- In a weak conception, the market is still seen as the major actor without questioning the core regulations of our societies
- ⇒ Market : a selection process of social challenges deserving to be addressed because of their potential in terms of earned income and impact investing
- In a strong conception, SI and SE produce norms which shape the fundamental choices of our societies including the place of the market, the state and the civil society
- ⇒ A risk : an instrumentization of SE and SI according to the priorities of the public agenda

The SI - SE European debate is caught between these two conceptions

=> Faced with isomorphic pressures, importance to recognize the institutional dimension of social innovation and social enterprise in order to develop an "eco(nomy) –diversity"