



## Stakeholder Brief 7

### Diversity of social enterprise models: new dynamics at the heart and on the fringes of the social and solidarity economy

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#### Executive summary

In the last two decades, the quest for a widely accepted definition of social enterprise (SE) has been a central issue in a great number of publications. The main objective of the ICSEM Project was to show that the SE field would benefit much more from linking conceptualisation efforts to the huge diversity of social enterprises than from an additional and ambitious attempt at providing an encompassing definition. Starting from a hypothesis that could be termed "the impossibility of a unified definition", the ICSEM Project adopted a twofold research strategy: providing strong theoretical foundations to explain how various "institutional logics" in the whole economy may generate different SE models and relying on bottom-up approaches to capture the SE phenomenon in its local and national contexts. This strategy made it possible to take into account and give legitimacy to locally embedded approaches, while simultaneously allowing for the identification of major social enterprise models to delineate the field on common grounds at the international level.

This Stakeholder Brief summarises the results of the ICSEM project for Western Europe and Central and Eastern Europe. These results are presented in detail in two books which, thanks to the support of the European COST Action "Empowering the next generation of SE scholars" (Empower-SE, COST Action 16206), have been made available in Open Access:

Defourny, J. & Nyssens, M. (eds) (2021) [Social Enterprise in Central and Eastern Europe: Theory, Models and Practice](#), Routledge, New York & London.

Defourny, J. & Nyssens, M. (eds) (2021) [Social Enterprise in Western Europe: Theory, Models and Practice](#), Routledge, New York & London.

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## 1. Introduction

Most of those who used the concepts of social entrepreneurship and social enterprise in the early 2000s now agree that they could never have imagined the amazing breakthrough of these concepts. Indeed, the use of these concepts is now spreading in most parts of the world: after an almost secretive first decade in the 1990s, research communities have emerged on both sides of the Atlantic and then spread to Central and Eastern Europe, most of East Asia, including China, as well as India, Australia, Israel and various Latin American countries.

In Europe, it is clear that social enterprise (SE) owes much to the success of social cooperatives, which emerged in Italy in 1991, and to the UK government's policy of promoting social enterprise from 2002 onwards. But many people recognise that these concepts are clearly related to the various approaches that attempt to highlight the existence of a third sector, beyond the classic distinction between a private for-profit sector and a public sector, whatever the terms used to describe such a third sector: non-profit sector, voluntary and community sector, social economy, solidarity economy, etc. The social enterprise approach and the analytical potential that emerges from it should be seen above all as a means of enriching existing conceptions.

Many definitions of social enterprise have been put forward, but none of them has reached consensus. For this reason, we will examine the recent contributions of a major research programme, launched in 2013 under the title "International Comparative Social Enterprise Models Project" (ICSEM Project), which we coordinated and which we carried out with the support of a European COST Action entitled "Empowering the next generation of SE scholars" (Empower-SE, COST Action 16206) and of the Fondation Crédit Coopératif (France). We will first briefly recall the main stages of this project. We will then look at how an analytical framework was constructed that allows us to identify four main models of social

enterprise that can be found in a large number of countries and regions of the world. We will then compare these models with the empirical data collected for Western Europe, on the one hand, and for Central and Eastern Europe, on the other hand, to better identify the specificities of these social enterprises in these different parts of Europe. Finally, we will conclude with some of the challenges that social enterprises face and that need to be addressed in order to provide them with a truly enabling ecosystem.

## 2. The ambition and originality of the ICSEM Project

The ICSEM Project is a large-scale research project combining inductive and deductive approaches as well as qualitative and quantitative methods to identify and compare social enterprise models across the world. A key feature of ICSEM is that it has refrained from imposing a strict and precise *a priori* definition of social enterprise, and instead has deployed a common methodological framework, referring to social enterprises broadly as *organisations that combine an entrepreneurial drive to provide services or goods with the pursuit, as a priority, of social objectives*. Within this broad framework, it was left to each "national" team to delimit the boundaries of the social enterprise phenomenon in its specific context. Until the end of 2020, 230 researchers from 55 countries became involved in this project, which had three main phases:

- Phase 1 (2013-2015): Redaction of "country contributions"—monographs at the national level including two parts: a first part aiming to offer a deep understanding of the national context and concepts in use; and a second part attempting to categorise the types of social enterprise observed.
- Phase 2 (2016-2017): Drafting of an analytical framework to capture the foundations and diversity of social enterprise models; carrying out a survey with managers of social enterprises considered emblematic or representative of the different categories of social enterprise

identified in the previous phase; and building an integrated database on more than 720 social enterprises from 45 countries. It should be noted that the sample on which the data collection was based was by no means representative of the population of social enterprises in the world. Indeed, not only was the distribution between continents particularly uneven, with a virtual absence of Africa, but more fundamentally, the population of social enterprises is simply unknown, as there is no universal definition of social enterprise. The aim here was to identify and compare models at the international level.

- Phase 3 (2018-2020): Statistical exploitation of this international database to test the relevance of the "theorised" models for the different parts of the world; analysis of social enterprise models on the dimensions covered by the survey: origin, context of creation, types of production, social mission, financial model, governance, allocation of possible profits, comparative analysis of the institutional issues faced by social enterprises

### 3. The foundations of an analytical grid

As expected, the researchers involved in the ICSEM Project highlighted the existence, in their respective countries, of a great diversity of social enterprises, which they have attempted to classify into categories, suggesting a diversity of "models".

From there, we developed an analytical grid based on two major dimensions which were articulated in order to propose a limited number of social enterprise models. Without denying the existence in the field of many hybrid models, the two dimensions chosen were the following: on the one hand, "principles of interest" to grasp the main "driving forces" that can be observed in an economy and that refer to the configuration of property rights in any type of enterprise; on the other hand, the types of "economic resources" that can be mobilised to develop an economic activity (Defourny and Nyssens, 2017).

#### Three principles of interest

Looking at the range of possible forms of enterprise (in the broadest sense), Gui (1991) defines the social economy as being composed of two major types of entities, namely "mutual-interest organisations" and "general-interest organisations".

In any type of organisation, Gui argues, it is possible to identify, on the one hand, a "dominant category", formed by those who hold the "residual" (ultimate) decision-making power, particularly with regard to the allocation of "residual benefits", and, on the other hand, a "beneficiary category" composed of those to whom these residual benefits accrue. "Mutual-interest organisations" are those in which these two categories merge; this first major component of the social economy includes cooperatives and associations that primarily serve the interests of their members. The second major component, "general-interest organisations", corresponds to those organisations in which the beneficiary category is distinct from the dominant category: these are associations, controlled by their members, but which aim to serve people other than the members (known as "beneficiaries"). More generally, this group includes all so-called philanthropic or charitable organisations, provided that these somewhat dated terms are considered to include all associations and foundations whose activity is in the public interest: initiatives for the protection of the environment, fight against social exclusion, development cooperation, etc.<sup>1</sup>

These distinctions lead us to consider the existence of three major drivers or "principles of interest" within the economy as a whole: the general interest (GI), the mutual interest (MI) and the capital interest (CI). Defourny and Nyssens (2017) propose to represent them as the vertices of a triangle, in

<sup>1</sup> It goes without saying that all public organisations and institutions are also typically general-interest organisations, but they belong by nature to the public sector and not to the social economy.

which combinations of principles can be imagined along the sides of the triangle (see figure 1).

Traditional cooperatives and mutual-interest associations are naturally placed near the vertex corresponding to the mutual interest (bottom left corner of the diagram). By contrast, associations pursuing a general-interest objective as defined by Gui will logically be located near the corner corresponding to the general interest (i.e. the upper corner), but not necessarily in the vertex itself, insofar as their general interest (the target group or community they serve) is generally not as broad as the general interest supposed to be taken care of and guaranteed by the state.

The bottom right-hand corner, corresponding in our diagram to the capital interest, is obviously occupied by capitalist-type companies (FPOs for “for-profit organisations”), owned by shareholders/investors. However, these companies sometimes develop corporate social (or societal) responsibility (CSR) strategies, which in these cases leads us to place them a little higher on the right side of the triangle.

The base of the triangle, on the other hand, represents a continuum between two opposite ways of dealing with capital, in particular in terms of profit allocation. In a cooperative, the pursuit of profit is instrumental, in the sense that it serves the development of the productive activity, which is itself the central objective. An interest or dividend can remunerate the shares of the cooperative members, but it is subject to a strict cap. Moreover, the bulk of the profits is generally allocated to collective reserves, which are themselves protected by an “asset lock” that prevents the assets accumulated by the cooperative from being used for personal enrichment. In for-profit enterprises, by contrast, the pursuit of profit is, in itself, the objective of the enterprise.

***Types of resources mobilised:  
what relationship to the market?***

Much of the literature and discourse on social enterprise presents as a distinctive feature of

social enterprises their use of market activities. Perhaps the most concise definition of social enterprise is that which describes it as “a market solution to a social problem” (Austin *et al.*, 2006), although such a shortcut is highly reductive (Defourny and Nyssens, 2010). Moreover, when it comes to identifying social enterprises, many observers take into consideration the proportion of market resources: some require that at least 50% of resources come from market sales. Such an approach is often far from the field reality in many countries, but the question of the business model and the degree of dependence on the market is a central issue in the debate. This is why two dotted lines have been drawn across the triangle (figure 1): they allow to take into account various combinations of resources (market income, public subsidies, donations, etc.) and to distinguish between the situations where market resources dominate, those where funding is mainly non-market (usually public, or voluntary), and those where a hybrid business model is adopted, often to better balance the social mission and the financial viability of the organisation.

It should be noted that the lower dotted line also divides the “mutual-interest” angle: cooperatives are primarily market-based enterprises and therefore appear below the line, as do all enterprises whose income comes entirely or mostly from the market; in contrast, mutual-interest associations, such as sports clubs or other leisure associations, typically rely on a combination of market resources (membership fees, sales in a cafeteria) and other resources, such as voluntary work and public contributions in the form of sports and other facilities provided by local authorities.

#### **4. Towards a typology of social enterprise models**

By drawing on both the distinction between mutual and general interest and the types of resources that social enterprises use, we are able to represent how different “institutional trajectories” across the economy can generate different models of social enterprise.

The “starting points” for these institutional trajectories are the initial organisational types (associations, cooperatives, for-profit enterprises, the state...) defined and located according to the three “principles of interest” in the triangle. In turn, these principles of interest and their corresponding organisational types can be seen as matrices in which dynamics and trajectories emerge.

The trajectories themselves correspond, schematically, to one of two movements:

a) an “upward” movement of mutual-interest or capitalist organisations, reflecting an evolution towards a behaviour that places greater emphasis on the *general interest*. Such a shift is represented by the blue, upward-pointing arrows in figure 1,

or,

b) a “downward” movement of general-interest organisations (which, until then, relied mainly on non-market resources, when not fully subsidised by public authorities) towards more *market activities*.

This shift is represented by the downward-pointing red arrows in figure 1. This shift may also involve the adoption of more “commercial” management methods.

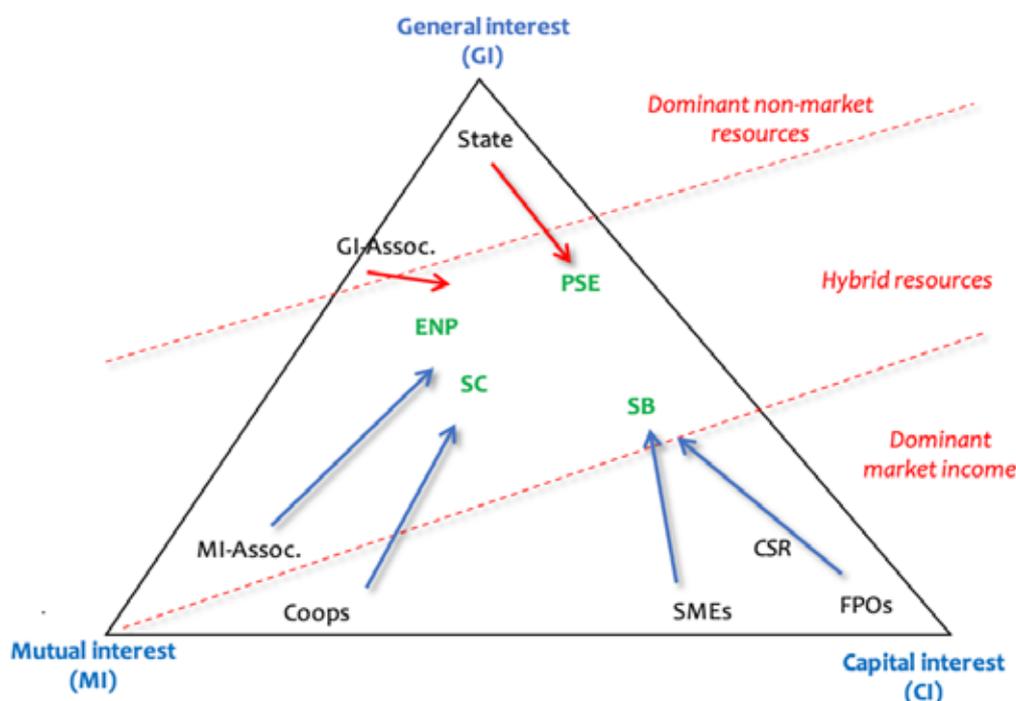
As shown in figure 1, six main institutional trajectories can be identified, which will be seen to lead to four major models of social enterprise.

### The entrepreneurial non-profit (ENP) model

The “entrepreneurial non-profit” model includes above all *general-interest associations* (“GI-Assoc.”) that develop any type of *earned-income activities* to supplement their other resources (public subsidies, donations, voluntary work, etc.) and thus support their social mission.

Social enterprises of the ENP model can also result from the *evolution of mutual-interest associations* (“MI-Assoc.”) towards stronger consideration for the *general interest*, well beyond the interests of their members. In concrete terms, this means that the organisation will serve “beneficiaries” other

Figure 1: Institutional trajectories and social enterprise models



than its members, without forgetting the interests of its members. This extension may concern direct beneficiaries, as in the case of a sports club that operates for its members and decides to extend its action to a wider community, for example to contribute to greater social cohesion in disadvantaged neighbourhoods. The benefit can also be of a more societal nature, when a mutual-interest association decides, for example, to make environmental protection one of its central missions.

### The "social-cooperative" (SC) model

The "social-cooperative" model generally results from a *movement of mutual-interest organisations* ("Cooperatives" or "MI-Assoc.") towards a *behaviour characterised by an increased attention for the general interest*.

Cooperatives are first and foremost mutual-interest enterprises, owned and controlled (democratically) by their members for their own non-capitalist interests. Because it is part of this cooperative tradition, the social-cooperative model also aims at implementing democratic forms of governance, i.e. equal voting power in the general assembly, and a limitation of the remuneration of capital shares. However, this model goes beyond that of most traditional cooperatives, in that it combines the pursuit of the interests of its members with the pursuit of the interests of the community as a whole or of a specific target group.

The legal status of social cooperative emerged in Italy in the early 1990s. Since then, new laws, similar to the social-cooperative law, have been passed in other countries, such as the law establishing the status of "société coopérative d'intérêt collectif" (2001) in France or the status of "social cooperative" (2006) in Poland, and many other legislative initiatives throughout Europe (Fici, 2015; European Commission, 2020). Depending on the legislation in force, other legal forms may be close to the cooperative status, even though they differ from it from a strict legal point of view.

As mentioned above, cooperative-type social enterprises may also result from the evolution of mutual-interest associations ("MI-Assoc.") that wish to develop their economic activities in order to respond to a specific social problem and, in so doing, move towards a more explicit general-interest objective.

### The "social-business" (SB) model

The approach according to which social enterprise is a *commercial enterprise guided by a social mission, regardless of its status* (Austin *et al.*, 2006), has become dominant in business schools, consultancies, CSR departments of large multinational companies and various foundations that promote the adoption of private-enterprise management methods as a means of responding more effectively to social problems.

When initiated by capitalist companies, the dynamics of social entrepreneurship consists of a movement of these companies towards the public interest. In this model of social enterprise, it is then a question of aiming at and balancing financial results with social—and sometimes also environmental—results (double/triple bottom line). As suggested in figure 1, a more marked orientation towards the general interest often leads these "social businesses" to rely on a more hybrid economic model, with a certain proportion of non-market resources that support, at least in part, the production of goods or services of collective interest.

The definition of social business by M. Yunus (2010) implies stricter conditions: such social enterprises, regardless of their status, are supposed to cover all their costs through their market resources, and investors (often large multinationals) do not receive any dividends; the profits are totally reinvested in supporting the social mission. To this extent, "Yunus-style" social businesses can be considered as a special case of our social-business model.

## The “public or quasi-public social-enterprise” model (PSE)

Many governments, whether at national or local level, are facing severe budgetary constraints in the context of growing social needs. In this perspective, the literature on new public management advocates not only greater efficiency in public services, but also the transfer of certain services to private entities—including social enterprises—while keeping these entities under public control, or at least ensuring their supervision by public regulation.

In certain configurations, these “(para)public” social enterprises can emerge as “spin-offs” of the public sector. In the context of local development policies targeting disadvantaged urban areas, for example, local authorities may take the initiative to set up social enterprises to stimulate economic revitalisation efforts. They can also launch work-integration social enterprises targeting job seekers in great difficulty, and then remain involved in the management of these initiatives.

In general, the “social entrepreneurship” movement here consists of a move towards “marketisation”, which can take various forms and have various implications. First, an increasing proportion of public services tend to be contracted out, which implies a shift in the balance between in-house and contracted-out provision (including—but not limited to—provision outsourced to social enterprises). Public tendering procedures can sometimes be reserved for social enterprises, but social enterprises can also compete with all types of enterprises, including for-profit ones.

### On the proper use of the triangle and the four models

The four models of social enterprise as presented above all appear to be the result of new dynamics at work in pre-existing organisations—which we have referred to with the concept of “initial organisational types” in figure 1. So, at first sight, there might seem to be little room in this triangle for social enterprises created *ex nihilo*. Such an

interpretation would clearly be wrong, though. Indeed, any individual social entrepreneur or group of people can start an initiative from anywhere in the triangle; their position will depend on their public interest orientation, the way in which they balance social and economic objectives, the legal form they choose, the type of business model they seek, etc.

It should also be stressed that this basic typology does not deny the existence of the many hybrid models that can be observed in the field. For example, partnerships between for-profit companies and associations or partnerships involving local public authorities are relatively common.

## 5. “Theorised” models put to the test

As explained above, phase 2 of the ICSEM project consisted of a broad survey of over 720 social enterprises considered by the researchers to be representative—or even emblematic—of the different types or categories they had identified.

The empirical data collected on the basis of a common questionnaire, translated into various languages, were statistically analysed<sup>2</sup> during phase 3 with a central objective: to see if groups of enterprises emerged that were sufficiently similar, on a set of characteristics, to appear as groups that were significantly homogeneous and, at the same time, significantly distinct from one another. This analysis was conducted both at the global level and separately for Asia, Latin America, Central and Eastern Europe and Western Europe.

This statistical processing of the ICSEM database confirmed the existence, at the global level, of *three of the four major social enterprise models* proposed in the typology: the social-cooperative model, the entrepreneurial non-profit model, and the social-business model. The data collected show that these three major models of social enterprise are found

<sup>2</sup> A factor analysis followed by a clustering analysis.

in almost all the countries covered, i.e. 39 countries out of the 43 countries studied (Defourny, Nyssens and Brolis, 2021).

The existence of the parastatal SE model is not confirmed by the identification of a distinct group of enterprises. However, one should not conclude too quickly that the public sector is absent from the field of social enterprise. In fact, it is found within some clearly identified groups, often involved as a partner in the creation of social enterprises—in particular work-integration social enterprises. It is also possible that local researchers, considering a priori social enterprises as inherently private initiatives, did not consider public-sector initiatives as potential social enterprises.

## **6. The results for Western Europe: From 5 group to 3 models**

The statistical processing of the data collected in Western Europe has led to the emergence of five groups of enterprises, whose dominant features can be described taking table 1 as a basis.

### **Two groups close to the entrepreneurial non-profit model**

The first two groups account for almost half of the social enterprises observed. The first group consists of associations and foundations providing mainly educational, health or social services. These organisations are the oldest in the sample. They have almost as many volunteers as employees. The missions of the social enterprises in the second group relate to the socio-professional integration of vulnerable groups in the labour market. They are either associations or commercial enterprises owned by associations.

The economic model of these organisations is based on an articulation of market and non-market resources. For associations providing educational, health or social services, market resources represent only one third of income. Such a mix of resources might be surprising given that, as mentioned above, social enterprise is sometimes

seen as “a market solution to a social problem”. However, according to the EMES conception of social enterprise, the entrepreneurial dimension of social enterprise is not confused with its market character but refers to the fact that the social enterprise bears the “economic risk”, whatever the nature of the resources. From this perspective, it is therefore not surprising that many associations have been identified as social enterprises by local researchers, even if they have less than 50% of market resources.

In terms of governance, these groups tend to operate in a democratic or at least participatory way. The ultimate power lies with the general assembly of members (GA) or the board of directors, which often includes volunteers, citizens, experts and managers. Overall, these two groups clearly converge towards the “entrepreneurial non-profit” model identified in our typology.

### **Two groups close to the social-cooperative model**

In the next two groups (groups 3 and 4, see table 1), a large proportion of organisations have adopted the cooperative legal form. This is a strong characteristic, which invites us to consider the actual reality of a new form of cooperative and its truly “social” nature, knowing that conventional cooperatives are primarily oriented towards the interests of their members, and not towards the general interest of a wider community, as shown in figure 1.

It should first be noted that, in the third group, about a quarter of the organisations are not legally registered as cooperatives. However, many organisations have adopted one of the new legal forms forged in close proximity to the conventional cooperative status. This group also includes a significant share of Italian social cooperatives, a model in which a central place is explicitly given to the general-interest missions of the organisation.

These cooperative organisations mainly provide educational, health or social services. All activities serve strong social objectives: they mainly aim

to create jobs for the unemployed or to improve the health of vulnerable people. These social enterprises rely mainly on market resources, although they often sell some of their services or goods below the market price—a fact that reflects their public-interest orientation. They have democratic governance structures, mainly under the control of their workers and managers (and, in some cases, investors).

The second group of cooperative-type organisations (i.e. group 4) is almost entirely made up of cooperatives. These initiatives are fairly recent and much smaller than those in the previous group. Most of these social enterprises have been started by citizens. These “citizen cooperatives” involve committed citizens experimenting with social innovations that respond to the aspirations of territorial communities. This group includes, among others, agricultural cooperatives promoting short circuits and renewable-energy cooperatives, where the interests of the members are clearly combined with an environmental type of societal objective. Many of these cooperatives are multi-stakeholder organisations, involving workers, users, investors and suppliers in their governance bodies.

The analysis of the characteristics of these two groups allows us to empirically validate the model of the social cooperative, which thus comes mainly in two main forms/fields: cooperative-type organisations in the field of social inclusion and services, on the one hand, and citizen initiatives in the spirit of the transition movement, on the other.

### **A smaller group indicating the existence of an SME model of social business**

The last (group 5), which is also the smallest, brings together the newest and smallest social enterprises in our sample. It includes for-profit enterprises that combine a strong commercial orientation with a social mission. The data shows that these enterprises have business models that are very similar to those of cooperative-type organisations: they too rely on market resources (but sell their goods and services mainly at market prices).

However, their governance models are markedly different. In this last group, many enterprises are in the hands of a single person. For this reason, we have described this type of governance as “independent” (in the sense that it is characterised by a strong autonomy). With regard to rules and provisions for profit distribution, it is striking that in the majority of organisations in this group, there are no rules limiting profit distribution. Some of these companies adopt an accreditation that requires social objectives to be predominant in their mission (e.g. the “B Corp” accreditation), but generally these accreditations do not impose any limits on profit distribution. This does not mean that all or most of the profits are usually distributed to the owners: a fairly common practice is to reinvest the profits in the business.

Much of the literature on social business highlights and promotes initiatives launched by, or in partnership with, multinationals, suggesting that these initiatives are rather large-scale ones. The annual Global Social Business Summit and its charismatic leader, Muhammad Yunus, are emblematic of this school of thought. This is the type of profile we had in mind when we started to conceptualise the social-business model, but our statistical results actually suggest a different picture. This group is made up of small and medium-sized enterprises, often run by an individual entrepreneur, who operates in the market while pursuing a social mission.

As this combination of economic and social objectives is implemented here within less regulated frameworks than those defined by the rules and governance structures of “cooperative-type” social enterprises, the balance between these (potentially conflicting) objectives and the evolution of this balance over time raise the question of the sustainability of the social mission. In such a context, it seems essential to analyse in greater depth the actual practices of these enterprises: to what extent do the social and/or environmental dimensions really prevail over the profit motive? Are they not simply instruments to better serve the financial interests of the owner(s)? More generally,

Table 1: Main features of SE groups in Western Europe

SE models	Entrepreneurial non-profit (ENP) model		Social-cooperative (SC) model		Social-business (SB) model
Groups of social enterprises and dominant type(s) in the group	Group 1 Social-services ENP	Group 2 Non-profit WISE	Group 3 Social-services cooperative and cooperative WISE	Group 4 Citizen cooperative	Group 5 Small- and medium-sized SB
% of enterprises belonging to this group	27%	19%	24%	14%	13%
Legal form	NPOs (64%) Foundations (16%)	Ltd companies (44%) NPOs (41%)	Cooperatives (73%) Dedicated SE legal forms (23%)	Cooperatives (96%)	Ltd companies (59%) Sole proprietorship (18%)
Year of creation (median)	1991	1997	2002	2009	2011
<b>MAIN SOCIAL MISSIONS</b>	Community development, capacity building, equality and empowerment, employment generation	Work integration	Employment generation, health improvement	Ecological transition, social finance	Various social missions
<b>Goods and services provided</b>	Education, health and social services	Various	Education, health and social work	Energy, trade, food, financial services...	Trade, manufacturing, education, etc.
<b>RESOURCES</b>	Hybrid resources				
Share of the different sources in the income mix	Subsidies: 41% Market: 36% Donations: 10%	Market: 55% Subsidies: 36% Donations: 3%	Market: 73%	Market: 87%	Market: 85%
Prices applied for the main economic activity and share of enterprises applying them	Free of charge (55%) Below-market price (36%) Market price (32%)	Market price (84%)	Below-market price (58%) Market price (45%)	Market price (61%)	Market price (77%)
Paid employees (median per social enterprise)	14	24	54	7	5
Volunteers (median per social enterprise)	10	0	2	4	0

SE models	Entrepreneurial non-profit (ENP) model		Social-cooperative (SC) model		Social-business (SB) model
	Group 1 Social-services ENP	Group 2 Non-profit WISE	Group 3 Social-services cooperative and cooperative WISE	Group 4 Citizen cooperative	
Groups of social enterprises and dominant type(s) in the group	Group 1 Social-services ENP	Group 2 Non-profit WISE	Group 3 Social-services cooperative and cooperative WISE	Group 4 Citizen cooperative	Group 5 Small- and medium-sized SB
<b>GOVERNANCE MODEL</b>	Democratic				
Founder(s)	A group of citizens (45%), one person (23%) or third-sector organisations (18%)	A group of citizens or third-sector organisations (63%) or one person (28%)	Third-sector organisations (40%), workers (23%) or citizens (23%)	A group of citizens (65%) or one person (35%)	A group of citizens (45%) or one person (41%)
Share of organisations with a multi-stakeholder board	76%	84%	53%	69%	22%
Ultimate decision-making power	Board (71%) GA (16%)	Board (50%) GA (47%)	GA (63%) Board (35%)	GA (48%) Board (48%)	One person (45%)
When applicable, composition of the board (percentage of boards where the category of stakeholders is present)	Volunteers (52%) Experts (38%) Managers (31%)	Managers (83%) Experts (71%) Citizens (38%)	Workers (65%) Investors (40%) Managers (35%)	Workers (57%) Users (52%) Investors (48%) Providers (30%)	
Rules limiting profit distribution	Yes (65%)	Yes (84%)	Yes (87%)	Yes (87%)	No (68%)
If the SE terminates its activity, net assets go to...	Another social enterprise or an NPO (40%)	Another social enterprise or an NPO (53%)	Members (41%) Another social enterprise or an NPO (28%)	Members (35%)	Undetermined (32%)

under what conditions can an economic activity that generates social value be considered an expression of social entrepreneurship?

In any case, at this stage we can say that this group supports the validity of the “social-business” model, rooted in the willingness of some SMEs to combine economic and social objectives.

## 7. The results for Eastern Europe: From 5 groups to 3 models

The statistical processing of the data collected in Eastern Europe reveals five groups of enterprises; their dominant features can be described taking table 2 as a basis. These results for Central and Eastern Europe present SE models that are very similar to those obtained for the global sample (Defourny *et al.*, 2020).

### Three groups close to the associative entrepreneurial model

The last three groups (groups 3, 4 and 5) bring together more than half of the social enterprises observed and their features clearly converge towards the “entrepreneurial non-profit” model identified in our typology.

Group 5 includes associations and foundations providing mainly social and health services, while the social enterprises in group 4, mainly small associations, are active in the field of local development. Group 3 social enterprises are mainly driven by a mission of employment generation and can therefore be considered as work-integration social enterprises (WISEs). In this group, although there is a significant share of commercial companies and informal organisations, almost 90% of organisations were started by a private non-profit organisation, which justifies the classification of this group under the banner of the “entrepreneurial non-profit” model. Depending on the type of relationship between the social enterprise and its parent organisation, the social enterprise may operate as a formal subsidiary of the parent company or more informally, without a separate legal identity.

The business model of these organisations of the “entrepreneurial non-profit” type differs from group to group. For the group that provides health and social services, only 24% of income comes from the market. These social enterprises receive substantial public subsidies and also rely partly on philanthropy, including volunteering. Only a quarter of these organisations sell their services at market

prices. As for social enterprises active in the field of local development, they rely on a closer articulation between market and non-market resources. Finally, the work-integration social enterprises in group 3 sell a wide variety of goods or services, mainly at market price, and are therefore more dependent on market resources than the organisations in groups 4 and 5. The productive activities of these enterprises can be seen as less often “mission-oriented” and more often “mission-related” than those of enterprises in groups 4 and 5: indeed, economic activity is a means of creating jobs, regardless of the types of products that are marketed for a population that is much wider than the group of vulnerable workers targeted by the social mission.

The importance of funding from external funding agencies (EU-supported programmes and private foundations) may partly explain why the SE landscape in this region is dominated by the non-profit form, which appears to be the most suitable form to obtain support from some donors. These external donors—and national policies that strongly encourage “a business approach to non-profit organisations”—usually focus on some key social challenges such as employment generation, local development (especially in rural areas) and access to social services.

In terms of governance, the majority of these organisations display the characteristics of the voluntary sector: the ultimate decision-making power lies with the general assembly of members (GA) or the board of directors, and the board often includes volunteers, experts and managers. However, there are also organisations where a single person initiates the social enterprise and often manages the organisation independently.

### A group indicating the existence of a social-business model

The largest group (group 1, which accounts for 30% of the organisations in the sample) is mainly made up of rather small commercial companies, run by an individual entrepreneur who is the main

owner and dominant decision-maker; this leads us to describe the ownership and governance of these social enterprises as “independent”. These enterprises combine a strong commercial orientation with a social mission. One of the most common social missions of these social enterprises is employment generation; this constitutes a further sign of the importance attached to this type of mission in Central and Eastern Europe—which even leads, in some cases, to conflating social enterprises with WISEs.

These social enterprises operate in the market while pursuing a social mission. They operate with paid workers and do not use volunteers. Only 21% of the organisations in this group have rules limiting the distribution of profits, and more than 50% have no pre-determined rules on the distribution of net assets in the event of termination of the activity. This does not mean that all or most of the profits are usually distributed to the owners: the dominant practice is to reinvest at least part of the profits in the social enterprise. In this context, the changing balance between economic and social objectives over time raises the question of the sustainability of the social mission.

### **A smaller group, close to the social-cooperative model**

Although group 2 comprises only 10% of the whole sample, it has a strong identity from a legal point of view: the overwhelming majority of organisations in this group have adopted the form of cooperatives. This invites us to look at this group as potentially signalling the existence of a “cooperative-type” SE model.

The cooperative model has a very specific history in CEE countries, where this legal form is just beginning to attract renewed interest. Indeed, although most of these countries had a rich cooperative history before World War II, cooperatives lost their autonomy under state socialism. Due to this legacy, a negative image is still associated with this legal form. However, with the gradual enlargement of the European Union,

the concept of social economy (which includes cooperatives) has gained importance and new legal forms—such as that of social cooperative—have been introduced in several countries, including Poland, Hungary, Croatia and Serbia.

The social mission and the activities of these social enterprises are closely intertwined: they mainly aim at creating jobs, supporting local development or improving food security. These social enterprises rely mainly on market resources (which represent on average 75% of their income), but one third of the enterprises sell their products below market price—a fact that reflects their orientation towards the public interest.

Most of the organisations in this group were launched by groups of citizens or third-sector organisations. They have democratic governance structures; workers are present on the majority of boards, and so are various other types of stakeholders.

This leads us to conclude that the existence of our social-cooperative model is confirmed by empirical evidence. However, this model is still emerging in Central and Eastern European countries, and the model does not have as strong a presence here as in other regions, such as Western Europe.

Table 2: Main features of SE groups in Central and Eastern Europe

SE models	Social-business (SB) model		Social-cooperative (SC) model		Entrepreneurial non-profit (ENP) model
	Group 1 Small and medium-sized SBs	Group 2 Cooperative social enterprises	Group 3 Non-profit-parent-launched WISEs	Group 4 Local-development ENPs	
Groups of social enterprises and dominant type(s) in the group	Small and medium-sized SBs	Cooperative social enterprises	Non-profit-parent-launched WISEs	Local-development ENPs	Health and social-services ENPs
% of enterprises belonging to this group	30%	10%	8%	25%	21%
Legal form	Sole proprietorships (42%) Ltd companies (35%)	Cooperatives (82%)	Ltd companies (43%) Informal organisations (29%)	NPOs (85%)	NPOs (43%) Foundations (40%)
<b>MAJOR SOCIAL MISSIONS</b>	Employment generation (20%) and various types of social mission	Employment generation (35%), local development (18%), food security (18%)	Employment generation (43%), access to education (21%)	Employment generation (24%), environmental protection (12%)	Equality and empowerment (23%), employment generation (17%), Education, health and social services (54%)
<b>Goods and services provided</b>	Various	Various	Various	Various	Various
<b>RESOURCES</b>	Dominant market income				
Share of the different sources in the income mix	Market: 84%	Market: 75% Public grants: 20%	Market: 66% Philanthropic revenues: 20% Public grants: 12%	Market: 39% Public grants: 33% Donations: 20%	Market: 24% Public grants: 55% Donations: 14%
Prices applied for the main economic activity and share of SEs applying them	Market price (39%) Below-market price (33%) Free of charge (18%)	Market price (65%) Below-market price (24%) Free of charge (12%)	Market price (50%) Free of charge (29%) Below-market price (21%)	Market price (44%) Free of charge (34%) Below-market price (17%)	Free of charge (63%) Market price (26%)
Paid employees (median per social enterprise)	8	6	5	4	17
Volunteers (median per social enterprise)	0	1	3	1	6

SE models	Social-business (SB) model		Social-cooperative (SC) model		Entrepreneurial non-profit (ENP) model
	Group 1 Small and medium-sized SBs	Group 2 Cooperative social enterprises	Group 3 Non-profit-parent-launched WISEs	Group 4 Local-development ENPs	
<b>GOVERNANCE MODEL</b>	Independent	Democratic	Mainly democratic Some independent	Democratic	Democratic Some independent
<b>Founder(s)</b>	One person (55%)	Citizens (47%), third-sector organisations (41%)	Third-sector organisations or a parent organisation (86%)	Third-sector organisations (46%), a group of citizens (39%)	Third-sector organisations (35%), a group of citizens (31%), one person (34%)
<b>Share of organisations with a multi-stakeholder board</b>	0%	59%	43%	55%	73%
<b>Ultimate decision-making power</b>	One person (80%)	GA (53%) Board (24%)	A single decision-maker (29%) A parent organisation (29%) GA (14%) Board (14%)	GA (73%) Board (20%)	Board (69%) A single decision-maker (17%) GA (6%)
<b>When applicable, composition of the board (percentage of boards where the category of stakeholders is present)</b>		Workers (53%) and representatives of a wide diversity of other stakeholders (managers, users, experts, investors)	Managers, workers, experts	Volunteers, workers, managers, experts	Managers, experts, workers
<b>Rules limiting profit distribution</b>	No (79%)	Yes (56%)	Yes (100%)	Yes (95%)	Yes (89%)
<b>If the social enterprise terminates its activity, net assets go to...</b>	Undetermined (52%) Members (23%)	Members (56%)	Parent organisation (71%)	Another social enterprise or NPO (37%) Members, the community	Another social enterprise or NPO (37%)

## 8. Promises and challenges

Even though not all the practices they designate are new, the—recent—concepts of social entrepreneurship and social enterprise are clearly fashionable and they continue to diversify, be it in their organisational, sectoral, geographical or other expressions. This growing diversity and the rather open nature of these concepts are undoubtedly reasons for their rapid success, both with public officials and private-sector actors, who, each in their own way, are discovering or rediscovering new possibilities for promoting both entrepreneurial dynamics and social goals.

An in-depth understanding of the different models of social enterprise makes it possible to identify future challenges that are anything but trivial. In the case of the social-business model, it can be expected that the actors of the traditional private sector will play a leading role in the development and configuration of social entrepreneurship in most parts of Europe. At play here is a belief, widely held in the business world, that market forces have the capacity to solve an increasing share of social problems. Therefore, while some stress the need to mobilise different types of resources, it is not impossible that the current wave of social entrepreneurship acts in part as a process of prioritising and selecting social challenges according to their potential to be addressed in an entrepreneurial and market-based way. Certainly, some innovative responses may emerge from social business, but from a societal point of view, one can only doubt the relevance of such a classification of social needs. This type of questioning is increasingly relevant in countries where the logic of privatisation and marketisation of social services has gone the furthest. More generally, one can understand that the trajectories observed across Western and Eastern Europe can prove quite different, depending on whether the historical contexts have been marked by shrinking or resisting welfare states in the last 4 or 5 decades. This diversity is largely highlighted by the results of the ICSEM project and by the rich national contributions collected in two collective works dedicated respectively to Central

and Eastern Europe (Defourny & Nyssens, 2021a) and to Western Europe (Defourny & Nyssens, 2021b).

Many social enterprises that are increasingly supported by proactive public policies—sometimes aimed at reintegrating marginalised workers, sometimes at providing services to vulnerable populations—face another type of challenge. The risks inherent in such public support are, on the one hand, that social innovation become “frozen” at a certain stage by its institutionalisation and, on the other hand, that social enterprises be instrumentalised within the framework of political agendas that take away most of their autonomy and creativity.

Despite such risks, the emergence of different entrepreneurial forms centred on social goals and the identification of three—or even four—major models based on the principles or matrices of mutual interest, capital interest and general interest open up several interesting perspectives. First, this identification allows an additional step in the clarification of the landscape of social enterprises, too often “caricatured” and described by monolithic discourses. Far from aiming at any “unification”, it highlights very different major models, which themselves open up to a diversity of effective practices within them. Secondly, and most importantly, it shows in a structured way that social entrepreneurship can emerge from all parts of our economies, including those—different from one part of the world to the other and throughout Europe—that were least thought of.

So why not recognise, in these four major models of social enterprise, the emergence of new distributions of roles and tasks in the pursuit of the common good? Historically, the state has often been tempted to take sole responsibility for the general interest, even though traditions of solidarity or philanthropy have almost always coexisted with official forms of public monopoly. The recognition of the complementarities between public and associative action is, after all, very recent and, moreover, far from being achieved in many regions

of the world, including Europe. In this context, the emergence—or rather the strengthening—of a genuine associative entrepreneurship, as well as the development of a new family of cooperatives, more focused on the general interest, underline the relevance and the potential of new sharing of responsibilities, as well as the need to deepen partnerships of all kinds around specific issues of common good. Within such partnerships or along more individual lines, a growing number of entrepreneurs (concerned with integrating a general-interest dimension into the heart of economic activity) are also questioning the pursuit of profit at all costs.

Recognising this diversity is not only about recognising that social enterprise can generate social impacts by providing goods and services to meet unmet needs through a variety of models. It also means acknowledging the institutional dimension of these different models, i.e. their potential role in the development of norms and regulations, both at the level of the organisation and beyond, through the “institutional work” of all actors. It is essential not to reduce social enterprises to a space dedicated to “alternatives”; indeed, through their innovative dynamics in many areas of activity, they carry a transformative potential for the whole economy in search of sustainable models. By going beyond mere “trade-offs” between economic, social and environmental performance, particularly through their articulation with the social movements that support them, they can contribute to raising society’s awareness and to generating or strengthening a willingness to change on a large scale. Although the social and ecological transition cannot be fully achieved without deep systemic transformations at the macro level, social enterprises also contribute to the evolution of production processes and consumption patterns. The challenge is therefore to take the full measure of their contribution and to broaden their influence. In this sense, social enterprises are indeed a driving force for the transition.

Of course, the path of the social enterprise, in the midst of “isomorphic” pressures, will never be an

easy one. This is why it has undoubtedly much to gain by maintaining and strengthening its links with the social and solidarity economy, which is its most frequent and natural melting pot and which has acquired a great deal of experience on how to maintain its own identity while interacting with the market, public authorities and civil society.

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