

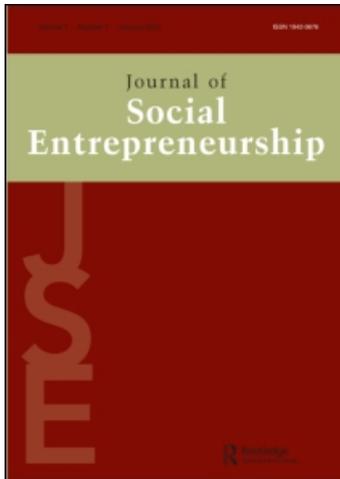
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Jacques Defourny^{ab}; Marthe Nyssens^{bc}

^a Centre for Social Economy, HEC Management School, University of Liège, Liège, Belgium ^b EMES European Research Network, ^c CIRTES and Department of Economics, Catholic University of Louvain, Louvain-La-Neuve, Belgium

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Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences

JACQUES DEFOURNY^{*,**} & MARTHE NYSENS^{**,†}

**Centre for Social Economy, HEC Management School, University of Liège, Liège, Belgium, **EMES European Research Network, †CIRTES and Department of Economics, Catholic University of Louvain, Louvain-La-Neuve, Belgium*

ABSTRACT *The concepts of social enterprise and social entrepreneurship are making amazing breakthroughs in EU countries and the United States. Until recently, the debates on both sides of the Atlantic have taken place in parallel trajectories with few connections among them. In the first part of the paper, we describe the European and US historical landscapes in which those concepts took root. In the second part, we analyse how the various conceptualizations have evolved. This analysis paves the way for the third part, in which we highlight the conceptual convergences and divergences among regions as well as within the US and European landscapes.*

KEY WORDS: Conceptual approaches, social enterprise, social entrepreneurship, United States, Europe, governance

1. Introduction

Whereas a dozen years ago the concepts of ‘social enterprise’, ‘social entrepreneurship’ and ‘social entrepreneur’ were rarely discussed, they are now making amazing breakthroughs on both sides of the Atlantic, especially in EU countries and the United States. They are also attracting increasing interest in other regions, such as Eastern Asia (especially South Korea, Japan and Taiwan) and Latin America.

Correspondence Address: Jacques Defourny, Centre for Social Economy, HEC Management School, B33, University of Liège, 4000 Liège, Belgium. Email: j.defourny@ulg.ac.be

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In Europe, the concept of social enterprise made its first appearance in 1990, at the very heart of the third sector, following an impetus that was first an Italian one and was closely linked with the cooperative movement. In 1991, the Italian parliament adopted a law creating a specific legal form for 'social co-operatives' and the latter went on to experience an extraordinary growth. In the United States, the concepts of social entrepreneur and social enterprise also met with a very positive response in the early 1990s. In 1993, for instance, the Harvard Business School launched the 'Social Enterprise Initiative', one of the milestones of the period.

Since this early period, the debate has expanded in various types of institutions. Major universities have developed research and training programmes. International research networks have been set up, like the EMES European Research Network, which has gathered, since 1996, research centres from most countries of the EU-15, and the Social Enterprise Knowledge Network (SEKN), which was formed in 2001 by leading Latin-American business schools and the Harvard Business School. Various foundations have set up training and support programmes for social enterprises or social entrepreneurs. Various European countries have passed new laws to promote social enterprises.

However, what is striking is the fact that the debates on both sides of the Atlantic took place in parallel trajectories, with very few connections between them, until the years 2004–2005.¹ From a scientific point of view, the first bridges were built by Nicholls (2006), Mair *et al.* (2006) as well as Steyaert and Hjorth (2006). Kerlin (2006) also made an interesting attempt to compare the concept of social enterprise in the US and in Europe, and discussions began to develop within the newly created, worldwide University Network for Social Entrepreneurship.² In this context, the first objective of the present paper is to deepen this trans-Atlantic dialogue on social enterprises as embodied in their respective European and US contexts, as well as to underline distinct developments they now tend to experience. However, what seem really at stake beyond conceptual debates are the place and the role of social enterprise within the overall economy and its interaction with the market, the civil society and public policies. Therefore, our second objective is to show that re-embedding social enterprises in their own specific contexts for a better mutual understanding is one of the best ways to raise issues and suggest further lines of research, which do not appear clearly when sticking to specific national or regional contexts.

The paper is structured as follows: in the next section we describe and compare the European and US historical landscapes in which those concepts took root. In the third section, we carefully analyse how the various conceptualizations in this field evolved and are still developing on both sides of the Atlantic. This analysis paves the way for the fourth part, in which we analyse the conceptual convergences and divergences among the different schools, both their causes and their implications for the debate.

2. The Socio-economic Context of the Debate

2.1. The European Context

In most Western European countries, third-sector organizations – such as non-profit organizations, cooperatives and mutual societies – were already playing a significant role in the provision of services well before the Second World War. Their importance became greater in the 1950s, with some emblematic initiatives set up to combat housing and poverty problems. Many of these organizations were inspired by a (Christian) charitable tradition, but another stream of inspiration stressed participation and mutual aid principles. In the late 1960s and 1970s, the quest for more democracy and equality in all spheres of life led to a blooming of civil society movements addressing major societal issues, both through advocacy and provision of services.

In the late 1970s–early 1980s, the persistence of structural unemployment in many European countries, the need to reduce state budget deficits, the need for more active integration policies raised the question of how far the third sector could help to meet these challenges. Indeed, social actors, such as social workers and associative militants, were facing a lack of adequate public policy schemes to tackle the increasing exclusion of some groups (such as long-term unemployed people, low-qualified people, people with social problems, etc) from the labour market or, more generally, from society. In such an overall context, the answers given to these emerging challenges by each country varied according to the specificities of the different European models (Defourney *et al.* 1998, Spear *et al.* 2001, Nyssens 2006).

The Bismarckian countries. In the countries with a Bismarckian tradition – which, according to the Esping-Andersen (1999) typology, can also be referred to as the countries belonging to the ‘corporatist’ group – (namely Belgium, France, Germany, and Ireland³), non-profit private organizations, mainly financed and regulated by public bodies play an important role in the provision of social services (Salamon *et al.* 2004).

During the 1980s, public bodies, faced with high rates of unemployment and a crisis in public finances, stopped relying exclusively on passive labour market policies based on a system of allocation of cash benefits to the unemployed and developed active labour policies, which aimed to integrate the unemployed into the labour market through professional training programmes, job subsidy programmes, etc. Within this field of active labour market policies, we can spot a large ‘second labour market programme’, offering intermediate forms of employment. Such a programme was based on the observation that, on the one hand, a number of unsatisfied social needs existed and, on the other, a large number of people were unemployed. These programmes thus tried to encourage the creation of new jobs in areas where they could satisfy social needs, as a mean of both creating jobs for unemployed persons and curbing mainstream social spending.

In a context of lasting collaboration between the state and non-profit organizations in the provision of social services, public bodies heavily relied

on associations for the implementation of this 'second labour market programme'. Indeed, some associations were pioneers in promoting the integration of unemployed persons through a productive activity. It could even be considered that these pioneering associations actually implemented active labour market policies before the latter came into institutional existence. With the institutionalization of the second labour market programme, associations have increasingly constituted a tool for its implementation. This kind of public scheme fostered the trend toward a more productive role of, and entrepreneurial dynamics within, the non-profit sector. In countries such as France and Belgium, these dynamics were explicitly located inside the third sector, which was referred to as the 'social economy' (*économie sociale*) or the 'solidarity economy' (*économie solidaire*).

The Nordic countries. The Nordic countries are characterized by the highest level of welfare expenditures in Europe and correspond to the 'social democratic' group of Esping-Andersen's typology. In these countries, there is traditionally a division of tasks between the state, the business community, and civil society (Stryjan 2006). The welfare state is expected to deliver welfare, the business sector ensures the production, the accumulation, and the creation of jobs, and civil society focuses on the articulation of interests and the shaping of the broad societal agenda. These countries also have a tradition of a cooperative movement, with, inter alia, workers or farmers cooperatives (Hulgård 2004).

In the 1980s, in a context characterized by the emergence of new challenges, new dynamics emerged in this cooperative sector. In Sweden, the first new worker cooperatives were initiated in the wake of the psychiatric care reform of 1989 (that phased out large closed-environment mental health institutions) by actors within the field of mental care: care personnel, patients and ex-patients (Stryjan 2004). As the expansion of the Swedish public childcare sector slowed down during the 1980s, parent cooperatives experienced a rapid growth, in the framework of a search for new pedagogical models (Pestoff 2004). With the emergence of these new forms of cooperatives, a new actor, which had traditionally been identified as part of the business sector, appeared in the landscape of the production of welfare.

The UK. The UK is traditionally viewed as emblematic of the liberal model. In this configuration, a lower level of government social spending is associated with a relatively large voluntary sector relying mostly on private resources (Salamon *et al.* 2004). The situation in the UK, though, could rather be described as 'mixed': indeed, the experience of the two World Wars led national public authorities to develop various social programs with universal coverage, in the framework of which charities were supported through public subsidies (Lewis 1999).

This landscape was challenged in the 1970s and 1980s by a new public management approach that stressed quasi-market mechanisms to increase efficiency in service provision. Within a quasi-market, the state still contributes to the financing and the regulation of the service but provision is open to all

kinds of organizations: public sector, third sector and for-profit sector providers compete on the market. The UK community care reform of the early 1990s was emblematic of this trend; it was hoped that this reform of public policies would allow reducing public sector bureaucracy and would lead to the adoption of the discipline and rigor of the market place (Netten *et al.* 2004). A new role was assigned to local authorities, which then had to exercise their purchasing power through contracting out the provision to the 'independent sector'. The focus was put on private providers, be they for-profit or voluntary firms.

In this context, the types of relationships between the state and the voluntary sector were at stake. It seems that what was challenged was not the level of social expenditures but rather the instruments through which the government supported third sector organizations: public money took the form of contracts and third-party payments instead of grants.

The Southern countries. In Southern countries, such as Italy or Portugal, welfare spending in general is lower and the provision of social services financed by the state, in particular, is underdeveloped. Families are considered as the key actor in welfare provision. Historically, Church-related charitable organizations have also played a central role as providers of social services, but this responsibility has been controlled or limited by the state in the 20th century, especially during the fascist period, in order to control civil society. This explains why, in Italy, for example, in the 1970s, non-profit organizations were relatively few, and they were merely confined to advocacy activities (Borzaga 2004). Countries as Spain and Italy are also characterized by a strong co-operative tradition.

In this context, it is not surprising that in the late 1980s, new cooperative initiatives emerged in Italy to respond to unmet needs, especially in the field of work integration – as some groups were increasingly excluded from the labour market – as well as in the field of personal services – in a context of rapid aging of the population and changes in family structures. In contrast to traditional cooperatives, that were primarily oriented toward members' interests, these initiatives were serving a broader community and putting greater emphasis on the dimension of general interest. They also differed from traditional cooperatives in that they often combined different types of stakeholders in their membership (paid workers, volunteers and other supporting members, etc), whereas traditional cooperatives are usually single-stakeholder organizations.

Although it may have been used elsewhere previously, the concept of 'social enterprise' as such seems to have first appeared in this country, where it was promoted through a journal launched in 1990 and entitled *Impresa sociale*. The concept was introduced at that time to designate these pioneering initiatives for which the Italian Parliament created the legal form of 'social co-operative' one year later.⁴

The development of new legal forms across Europe. After the pioneering Italian law adopted in 1991, several other European countries introduced, in the second part of the 1990s, new legal forms reflecting the entrepreneurial

approach adopted by this increasing number of 'not-for-profit' organizations, even though the term of 'social enterprise' was not always used as such in the legislation (Defourny and Nyssens 2008). In France, Portugal, Spain and Greece, these new legal forms were of the cooperative type. Some other countries such as Belgium, the UK and Italy (with a second law passed in 2006) chose more open models of social enterprise not just inspired by the cooperative tradition.

Of course, there exists a great diversity beyond this basic dichotomy. For instance, the French and Italian legal forms could be qualified as 'multiple stakeholders forms' as they bring different stakeholders (employees, users, volunteers...) to work together on a given social purpose project. The Belgian 'company with a social purpose' and the Italian law on social enterprise define a label that crosses the boundaries of all legal forms and can be adopted by various types of organization (not only cooperatives and non-profit organizations, but also investor-owned organizations, for instance), provided they define an explicit social aim and that they are not dedicated to the enrichment of their members.

In the UK, the Parliament approved a law creating the 'community interest company' in 2004 but two years earlier, the British government also put forward a 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 maximize profit for shareholders and owners' (DTI 2002).

Public schemes targeting work integration social enterprises: advantages and risks. In many European countries, beside the creation of new legal forms or frameworks, the 1990s have seen the development of specific public programs targeting the field of work integration. Social enterprises may be active in a wide spectrum of activities, as the 'social purpose' they pursue may refer to many different fields. However, in the 1990s, one major type of social enterprise was clearly dominant across Europe, namely 'work integration social enterprises' (WISEs). The main objective of work integration social enterprises is to help low qualified unemployed people who are at risk of permanent exclusion from the labour market. WISEs integrate these people into work and society through a productive activity (Nyssens 2006).

This has even led, in several cases, to the concept of social enterprise being systematically associated with such employment creation initiatives. The Bismarckian countries were the first developing such schemes, where they have really become a 'conveyor belt' of active labour policies. The Finnish Act on Social Enterprise, passed in 2003, is emblematic of such a trend, as it reserves this term to the field of work integration. According to this Act, a social enterprise, whatever its legal status, is a market-oriented enterprise created for employing people with disabilities or long-term unemployed. In 2006, Poland passed an Act on Social Co-operatives, which are also specifically intended for the work integration of particular needy groups (such as ex-convicts, long-term unemployed, disabled persons and former alcohol or drug addicts).

2.2. *A Brief Comparison with the US Context*

In the US, the first root regarding the debate on social entrepreneurship and social enterprises refers to the use of commercial activities by non-profit organizations in support of their mission. As summarized by Kerlin (2006), although such behaviour can be traced back to the very foundation of the US, when community or religious groups were selling homemade goods or holding bazaars to supplement voluntary donations, it gained a particular importance in the specific context of the late 1970s and 1980s. Indeed, when the federal government launched the Great Society programs in the 1960s, a significant share of the huge funds invested in education, health care, community development and poverty programs was channelled through nonprofits operating in these areas, instead of being managed by an enlarged public bureaucracy. Such a strategy of course strongly supported the expansion of existing nonprofits as well as the creation of many new ones. However, the downturn in the economy in the late 1970s led to welfare retrenchment and to important cutbacks in federal funding (Salamon 1997). Nonprofits then began to expand their commercial activities to fill the gap in their budget through the sale of goods or services not directly related to their mission. Typical of this early stage was the creation, in 1980, of New Ventures, the most prominent of the consulting firms that emerged then to offer their services to nonprofits interested in exploring business ventures. Such a trend was strengthened by the blooming of institutions, initiatives and consulting practices to support this new 'industry' along the 1990s. Moreover, the National Gathering of Social Entrepreneurs, promoted by a few thought leaders in 1998, greatly helped this emerging community of practitioners and consultants to reach a critical mass.

Based on a broader vision of entrepreneurship, the second root of this debate can be traced back to B. Drayton and Ashoka, the organization he founded in 1980, as its primary driving forces. The mission of Ashoka was (and still is) 'to find and support outstanding individuals with pattern setting ideas for social change' (Drayton and MacDonald 1993, p. 1). Muhammad Yunus, founder of the Grameen Bank, a famous microfinance institution targeted at poor rural women in Bangladesh, has been presented, in this vein, as an emblematic social entrepreneur. Ashoka focuses on the profiles of very specific individuals, first referred to as public entrepreneurs, able to bring about social innovation in various fields, rather than on the forms of organization they might set up. Various foundations involved in 'venture philanthropy', such as the Schwab Foundation and the Skoll Foundation, among others, have embraced the idea that social innovation is central to social entrepreneurship and have supported social entrepreneurs.

Among common features on both sides of the Atlantic, we first note that the field developments around new entrepreneurial behaviours driven by a primary social purpose mainly took place within *the third sector*. However, the latter includes cooperatives in Europe while foundations play a central role in the US. Indeed, according to most European traditions (Evers and Laville 2004), the third sector brings together cooperatives, associations,

mutual societies and increasingly foundations, in other words, all not-for-profit organizations, i.e. organizations not seeking profit maximization for those who control them. The third sector they form together is labelled the 'social economy' in some European countries,⁵ a way to insist on the quest for democracy through economic activity, which has been at the heart of many pioneering initiatives of the 19th and 20th centuries across Europe. This has profound implications, as we shall see, for subsequent conceptual evolutions of social enterprise and entrepreneurship.

It is also clear that changes in public funding of the third sector played an important role in shaping new attitudes and strategies for third sector organizations, but this common general trend should not mask differences that also proved important for the conceptual debate. The US scene was first marked by shortcuts in public grants and, over a longer period, by the fact that the share of public support in many subsectors decreased, while the share of commercial income increased significantly (Kerlin 2006). In Western Europe where third sector organizations have always played a significant role in the provision of welfare services, even though their links with public bodies vary according to the type of welfare state, it was the forms – rather than the volume or the share – of public funding that were transformed: second labour market programs provided new support for hiring or retraining unemployed people in not-for-profit organizations, while the development of quasi-markets fostered contractual relations with public authorities in a more competitive environment.

Finally, we can highlight key social actors that have shaped the debate on social entrepreneurship and social enterprise. Various driving forces could be observed, in Europe, which paved the way for an increased explicit reference to social enterprise. In several countries, new forms of work integration enterprises were set up without any legal framework and even sometimes completely outside of the law. In this field and in others (such as care, for instance), such organizations built platforms and federative bodies to advocate for a better recognition of their specificities. As a result, in the political arena, laws were passed to promote new legal forms and public schemes, better suited to social enterprises. In the US, the debate has been strongly influenced by foundations that have provided financial support and visibility for outstanding social entrepreneurs as modern times' heroes and by consultancy firms that developed a whole industry focusing on business methods and earned income strategies to be adopted by nonprofits looking for alternative or more stable sources of funding.

All those differences are major elements to understand the various conceptualizations which coexist in the field of social enterprise and social entrepreneurship. We shall come back to this more precisely in the third section.

3. Major Conceptualizations of Social Enterprise and Social Entrepreneurship

When looking at the US historical context, what is striking is the diversity of concepts that have been used since the early 1980s to describe the

entrepreneurial behaviours with social aims that developed in the country, mainly – although not exclusively – within the non-profit sector: ‘non-profit venture’, ‘non-profit entrepreneurship’, ‘social-purpose endeavour’, ‘social innovation’, ‘social-purpose business’, ‘community wealth enterprise’, ‘public entrepreneurship’, ‘social enterprise’, etc. Although the community of non-profit studies early identified trends towards commercialization, the bulk of this conceptual debate has been shaped by scholars belonging to business schools. To classify the different conceptions, Dees and Anderson (2006) have proposed to distinguish two major schools of thought. The first, and still dominant, school of thought on social entrepreneurship refers to the use of commercial activities by non-profit organizations in support of their mission. Organizations such as Ashoka fed a second major school, named by Dees and Anderson, the ‘social innovation’ school of thought.

Although field initiatives blossomed up across Europe, with Italian social cooperatives as an inspiring model in the early 1990s, the concept of social enterprise as such did not really spread during those years. In the academic sphere, major analytical efforts were undertaken from the second part of the 1990s, both at the conceptual and empirical levels, especially by the EMES European Research Network, gathering mainly social sciences scholars. It should also be noted that these last years have witnessed a growing mutual influence of each side of the Atlantic upon the other, probably with a stronger influence of the US upon Europe than the other way round. More precisely, various authors from European business schools, such as Mair and Marti (2006), Nicholls (2006), Mair *et al.* (2006), among others, contributed to the debate, relying on the concept of social entrepreneurship as it took root in the US context, although they of course brought in their own backgrounds as Europeans.

In the following sections, our conceptual discussion will be organized around the two schools proposed by Dees and Anderson and the concept of social enterprise as developed by the EMES European Research Network.

3.1. The ‘Earned Income’ School of Thought

The first school of thought, which set the grounds for conceptions of social enterprise mainly defined by earned-income strategies, refers to the use of commercial activities by non-profit organizations in support of their mission. The bulk of publications was mainly based on nonprofits’ interest to become more commercial and could be described as ‘prescriptive’, as it focused on strategies for starting a business that would earn income for a non-profit organization (Massarsky 2006). Skloot (1983, 1987), one of the firm’s key founders, made important contributions to the analysis of commercial activities that were ‘related but not customary to the (non-profit) organization’ and that could help diversify its funding base.⁶ Among social scientists, Crimmings and Kiel (1983) may have been the first who systematically surveyed such practices and analysed their factors of success.

In the late 1990s, the National Gathering, a central player in the field, became the Social Enterprise Alliance, which defined social enterprise as ‘any

earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission'.⁷ The term 'social enterprise' was also adopted with the same orientation by various other organizations, although some of them extended the 'social-purpose venture' perspective to a wider set of organizations, including for-profit companies.⁸ Such a broader and market-oriented conception of social enterprise crossed the ocean; when a 'Social Enterprise Unit' was created in the UK to promote social enterprise across the country, it was set up within the Department of Industry and Trade. Indeed, as mentioned earlier, the British model stresses the business character of social enterprise: although no reference is made to the percentage of market resources in the definition adopted by the Social Enterprise Unit or in the CIC law, it is widely accepted that a significant part (usually 50% or more) of the total income must be market-based for the enterprise to qualify as 'social enterprise'. Alter (2002) and Nicholls (2006) go even further along the same line, when reserving the term 'social enterprise' to fully self-funded organizations, as do Haugh and Tracey (2004) when they define social enterprise as 'a business that trades for a social purpose'.⁹

Because of such a wide use of the term 'social enterprise' and just 'following a convention which has emerged in practice here', Dees and Anderson (2006, p. 41) reluctantly proposed to call that first school, which strongly dominates outside academia, the 'social enterprise school of thought'. For our part, we rather choose to follow their own comments stressing that they prefer using the term 'social enterprise' more broadly, to refer to undertakings with a significant social purpose. In such a perspective, we would rather name that first school the 'earned income' school of thought. Within this school of thought, we make a distinction between an earlier version, focusing on nonprofits, that we call the '*commercial non-profit approach*', on the one hand, and a broader version, embracing all forms of business initiatives, that we name the '*mission-driven business approach*', on the other hand.

It should also be noted that some authors, such as Emerson and Twersky (1996), provided an early analysis, shifting from a sole market orientation to a broader vision of business methods as a path towards achieving increased effectiveness (and not just a better funding) of social sector organizations. In so doing, they paved the way for later works of the years 2000s, which would increasingly stress a 'double bottom line' vision as well as the creation of a 'blended value' in an effort to really balance and better integrate economic and social purposes and strategies (Emerson 2006). In a way, such recent works contribute to reduce the gap that has existed since the 1980s between the 'earned income' school of thought (and its two approaches) and the second school of thought, which we will deal with now.

3.2. The 'Social Innovation' School of Thought

Anderson and Dees (2006) name the second school, the 'social innovation' school of thought. Indeed, the emphasis is put here on social entrepreneurs in the Schumpeterian meaning of the term, in a perspective similar to that adopted earlier by the pioneering work of Young (1983, 1986). Social

entrepreneurs are defined as change makers as they carry out ‘new combinations’ in at least one the following areas: new services, new quality of services, new methods of production, new production factors, new forms of organizations or new markets. Social entrepreneurship can therefore be a question of outcomes and social impact rather than a question of incomes. Several authors, such as Cohen (1995), Leadbeater (1997), Dees (1998), Alvord *et al.* (2003), Bornstein (2004), Kramer (2005) and Mulgan (2007) among others, have contributed to such a deeper view of social entrepreneurship, the three last publications stressing especially the systemic nature of innovation brought about and its impact at a broad societal level.

Within the ‘social innovation’ school of thought, Dees (1998, p. 4) has proposed the most widely referred to definition of social entrepreneurs. He sees the latter as

playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Although many initiatives of social entrepreneurs result in the setting up of non-profit organizations, most recent works of this school tend to underline blurred frontiers and the existence of opportunities for entrepreneurial social innovation within the private for-profit sector¹⁰ and the public sphere as well. By the way, the concept of social entrepreneurship is increasingly described as a very wide spectrum and often appears as the broadest of the three conceptual ‘SE flags’.

3.3. The EMES Approach of Social Enterprise

As soon as 1996, i.e. before most of the European public policies were launched, a major research program funded by the European Commission was undertaken by a group of scholars coming from all EU member states (Defourny and Borzaga 2001). Named the EMES European Research Network,¹¹ that group first devoted itself to the definition of a set of criteria to identify organizations likely to be called ‘social enterprises’ in each of the 15 countries forming the EU by that time. Such a set of criteria was to be considered as a ‘working hypothesis’, not necessarily encompassing the whole reality of social enterprises; but, as it turned out, this initial set of indicators proved to be a fairly robust and reliable conceptual framework.

To its merits, the EMES approach derives from extensive dialogue among several disciplines (economics, sociology, political science and management) as well as among the various national traditions and sensitivities present in the European Union. Moreover, guided by a project that was both theoretical and empirical, it preferred from the outset the identification and clarification of indicators over a concise and elegant definition.

Most importantly, such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an 'ideal-type' in Weber's terms, i.e. an abstract construction that enables researchers to position themselves within the 'galaxy' of social enterprises. In other words, they constitute a tool, somewhat analogous to a compass, which helps the researchers locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply.

Here, we just list those indicators, without providing the comments that were carefully phrased for each of them and to which we will refer later on, when comparing the EMES approach to other definitions of social enterprise.¹²

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.

Although EMES always worked with such a list of indicators, the latter may also be summarized as follows: '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).

Of course, those economic and social indicators allow identifying brand new social enterprises, but they can also lead to designating as social enterprises older organizations being reshaped by new internal dynamics.

The first research carried out by the EMES network also presented an initial attempt to outline a theory of social enterprise: an 'ideal-typical' social enterprise could be seen as a *multiple-goal, multi-stakeholder and multiple-resource enterprise*. These theorised features remained untested, though; they thus paved the way for further research. It is why EMES undertook another major research program (in 2001) to explore more deeply these hypotheses, through a comparative analysis of social enterprises in Europe.¹³ Although

social enterprises are active in a wide variety of fields, including personal social services, urban regeneration, environmental services, and the provision of other public goods or services, researchers decided, in the framework to focus on work integration social enterprises (WISEs), with a view to allowing meaningful international comparisons and statistical analysis. On such a basis, they made an inventory of the different existing types of social enterprise in the field of on-the-job training and work integration of low-qualified persons (Nyssens 2006, 2009).

4. Convergences and Divergences between the Different Schools

We have now the building blocks to analyse the convergences and the divergences of the different schools, underlying the causes and the implications for the debate.

4.1. The Social Mission

For all the schools of thought, the explicit aim to benefit the community or the creation of ‘social value’, rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprises.

This is the first EMES social criterion. Indeed, according to the EMES conception of social enterprise, the social impact on the community is not just a consequence or a side-effect of the economic activity but it is the key motive of the latter. This is also the reason that has justified the development of new legal forms, across Europe, for companies driven by social goals, being considered as part of the third sector. For example, the UK CIC is dedicated to its expressed community purposes, and the Belgian ‘social purpose company’ is not dedicated to ‘the enrichment of [its] members’, the social finality being defined in the statutes of the company. Italian ‘social cooperatives’ are driven by ‘the general interest of the community for the human promotion and the social integration of the citizens’ (Borzaga 2004, p. 55).

Within the ‘earned income’ school of thought, this is obvious for the organizations targeted by the ‘commercial non-profit approach’, as they allocate any profit to the fulfilment of a social mission. As for the ‘social innovation’ school, social entrepreneurship dynamics are embedded in firms that may be either non-profit or for-profit but, whatever the type of organization, the innovation process is primarily oriented to a social or societal change.

However, in the course of the 1990s, various activities undertaken by for-profit firms to assert their corporate social responsibility began to be considered, by some authors, as part of the spectrum of social entrepreneurship (Boschee 1995 and Austin 2000); in this perspective, assessing the real weight of social concerns in the mission of the enterprise becomes more difficult. Such an approach might lead to considering any social value-generating activity as belonging to the wide spectrum of social entrepreneurship, even if this activity remains marginal in the firm’s overall strategy.¹⁴

Indeed, social entrepreneurship may be viewed as a wide spectrum of initiatives or practices, even though there might be strong divergences as to what kinds of organizations and practices might constitute the extreme points of such a spectrum.

4.2. The Production of Goods and Services and their Relation to the Social Mission

In a rather classical way, most approaches use the term *enterprise* to refer to the production of goods and/or services. Accordingly, social enterprises, unlike some non-profit organizations, are normally neither engaged in advocacy, at least not as a major goal, nor in the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity; instead, they are directly involved in the production of goods or the provision of services on a continuous basis.¹⁵

However, differences appear between the various schools of thought when considering the nature of this production activity. When speaking of social enterprise in Europe, it appears that the production of goods and/or services does itself constitute the way in which the social mission is pursued. In other words, the nature of the economic activity is closely connected to the social mission: the production process involves low-qualified people if the goal is to create jobs for that target group; if the social enterprise's mission is to develop social services, the economic activity is actually the delivery of such social services, and so on. This type of approach is also found in the social innovation school, which considers that social enterprises implement innovative strategies to tackle social needs through the provision of goods or services. Although the innovating behaviour may only refer to the production process or to the way goods or services are delivered, it always remains linked to the latter, the provision of such goods or services therefore representing the reason, or one of the main reasons, for the existence of the social enterprise.

By contrast, for the 'commercial non-profit approach', the trading activity is often simply considered as a source of income, and the nature of the traded goods or services does not really matter as such. So, in this perspective, social enterprises can develop business activities that are only related to the social mission through the financial resources they help to secure.

4.3. Economic Risks

Social enterprises are generally viewed as organizations characterized by a significant level of economic risk.

According to the EMES criteria, this means that the financial viability of social enterprises depends on the efforts of their members to secure adequate resources for supporting the enterprise's social mission. These resources can have a hybrid character: they may come from trading activities, from public subsidies or from voluntary resources.¹⁶ Although public opinion tends to associate the concept of economic risk to a market orientation, rigorous

definitions, including for instance definitions in EU legislation, see an enterprise as an organization or an undertaking bearing some risk but not necessarily seeking market resources.

This conception appears to be shared to a large extent by the ‘social innovation’ school of thought. Indeed, according to Dees (1998), the centrality of the social mission implies a very specific mix of human and financial resource, and social entrepreneurs explore all types of resources, from donations to commercial revenues. Bearing economic risks does not necessarily mean that economic sustainability must be achieved only through a trading activity; it rather refers to the fact that those who establish the enterprise assume the risk of the initiative.

By contrast, for the ‘commercial non-profit approach’ and ‘mission-driven business approach’ (forming together the ‘earned income’ school of thought), to be a social enterprise means relying mainly on market resources. For the authors belonging to this school, the economic risk tends to be correlated with the amount or the share of income generated through trade. This vision is shared by some European policies, which tend to require a market orientation from social enterprises. In the United Kingdom, for example, social enterprises are seen first and foremost as businesses (see above). The Finish Act on social enterprise and the social economy program in Ireland also describe these organizations as market-oriented enterprises. Many Italian social cooperatives are financed through contracts that are passed with the public authorities in a more or less competitive market.

The divergence between the ‘social innovation’ school and the ‘earned income’ school as to the economic risk should not be overstated, though. Viewing social entrepreneurship as a mission-driven business is increasingly common among business schools and foundations that foster more broadly business methods, not just earned-income strategies, for achieving social impacts. In this last perspective, we are coming back to the recent efforts made by Dees and Anderson (2006) and Emerson (2006) to stress converging trends between both major US schools, at least in parts of the academic debate.

4.4. The Structure of Governance

As we have seen, social enterprises are, across Europe, mainly embedded in the third sector tradition, and have always been associated with a quest for more democracy in the economy. As a result, the governance structure of social enterprise has attracted much more attention in Europe than in the United States, as shown by the EMES approach as well as by various public policies, across Europe, promoting social enterprises. As the governance structure can be seen as the set of organizational devices that ensure that the organization’s mission is pursued, it can be analysed along several dimensions.

First, in the European conception, social enterprises are characterized by a high degree of autonomy. According to the EMES definition, they are voluntarily created by a group of people and are governed by them in the

framework of an autonomous project. Accordingly, they may receive public or private support but they are not managed, directly or indirectly, by public authorities or by a for-profit firm and they have the right of 'voice and exit' (the right to take up their own position as well as the right to terminate their activity).¹⁷ This condition of autonomy clearly diverges from the conception of the 'Social Enterprise Knowledge Network', according to which a short-term project with a social value undertaken by a for-profit enterprise or a public body can be considered as a social enterprise. For this network, formed by leading Latin-American business schools and the Harvard Business School, 'any kind of organization or undertaking engaged in activities of significant social value, or in the production of goods and services with an embedded social purpose, regardless of legal form' (Austin *et al.* 2004, p. xxv), can be considered as a social enterprise.

Secondly, the ideal-typical social enterprise defined by EMES is based on a collective dynamics and the involvement of different stakeholders in the governance of the organization. The various categories of stakeholders may include beneficiaries, employees, volunteers, public authorities, and donors, among others. They can be involved in the membership or in the board of the social enterprise, thereby creating a 'multi-stakeholder ownership' (Bacchiaga and Borzaga 2003). Such a multi-stakeholders ownership is even recognized or required by national level legislations in various countries (Italy, Portugal, Greece and France).¹⁸ Stakeholders can also participate through channels that are less formal than membership, such as representation and participation of users and workers in different committees in the everyday life of the enterprise. In many cases indeed, one of the aims of social enterprises is to foster democracy at the local level through economic activity. To that extent, this approach to social enterprise remains clearly in line with and rooted in third sector literature, especially that part of it focusing on community development. This insistence on collective dynamics contrasts with the emphasis, especially in the social innovation school, on the individual profile of social entrepreneurs and their central role.¹⁹

Thirdly, one of the EMES criteria states that the decision-making power is not based on capital ownership, again reflecting the quest for more economic democracy that characterizes the field of social enterprise in Europe, in the tradition of cooperatives. This generally means that the organization applies the principle of 'one member, one vote', or at least that the voting power in the governing body that has the ultimate decision-making rights is not distributed according to capital shares. Once more, such rules are reflected in different national legal frameworks designed for social enterprises, the majority of them requiring the rule of 'one member, one vote'.²⁰

Fourthly, the power and prerogatives of shareholders are also limited by restrictions regarding the distribution of profits. Indeed, according to the EMES criteria, the field of social enterprises includes organizations that are characterized by a total non-distribution constraint and organizations that may distribute profits but to a limited extent, thus avoiding a profit-maximizing behaviour. European legal frameworks also reduce the power of

social enterprises' shareholders by prohibiting²¹ or limiting²² the distribution of profits. The 'commercial non-profit approach' (within the 'earned income' school of thought) explicitly locates social enterprise in the field of non-profit organizations, i.e. entities whose surplus is entirely retained by the organization for the fulfilment of its social mission (it has to be noted that this conception does not preclude NPOs from promoting the development of for-profit undertakings to generate market income and profits to be allocated for the social mission of the NPO). On the contrary, for the 'mission-driven business approach' within the same school, as well as for the 'social innovation school of thought', social enterprise may adopt any kind of legal frameworks and may therefore, in some cases, distribute surplus to shareholders.

To sum up these four dimensions, as Young and Salamon (2002, p. 433) state, 'in Europe, the notion of social enterprise focuses more heavily on the way an organisation is governed and what its purpose is rather than on whether it strictly adheres to the non-distribution constraint of a formal non-profit organisation'. As a matter of fact, although the EMES approach of social enterprise also includes this feature by its 'limited profit distribution' criterion, it goes further than that, by incorporating other aspects that are central to characterizing social enterprise's governance structure and that guarantee its social mission, whereas the other schools do not underline organizational features as key tools to guarantee the primacy of the social mission.

4.5. Channels for the Diffusion of Social Innovation

In the European context, the process of institutionalization of social enterprises has often been closely linked to the evolution of public policies. As we have seen, social enterprises were pioneers in promoting the integration of excluded persons through a productive activity and a historical perspective shows that they have contributed to the development of new public schemes and legal frameworks. Such public policies, however, have not been designed and implemented without raising important questions and strong debates. More precisely, the nature of social enterprises' mission appears to be a contested issue between promoters of social enterprises and public bodies. Public schemes often frame their objectives in a way that is considered as too narrow by some promoters, with a risk of reducing social enterprises to the status of instruments to achieve specific goals that are given priority on the political agenda. On the other side, it is clear that recognition through public policies has been and still is a key channel for the diffusion of various models of social enterprise throughout Europe.

In other contexts, such as the United States, the scaling up of social innovation has also been a concern from the outset, especially for the 'social innovation' school of thought, historically led by Ashoka. However, social innovation in the US has been expected, typically, to expand through the growth of the enterprise itself²³ and/or with the support of foundations bringing a leverage effect to the initiative through increased financial means

and professional skills as well as through celebration and demonstration strategies. Such trajectories are not without risks, as a strong reliance on private actors may involve some perverse effects. The main ones could result from a kind of implicitly shared confidence in market forces to solve an increasing part of social issues in modern societies. Even though various scholars stress the need to mobilize various types of resources, it is not impossible that the current wave of social entrepreneurship may act as a priority-setting process and a selection process of social challenges deserving to be addressed because of their potential in terms of earned income. This probably explains, to a large extent, why large segments of the non-profit sector in the US as well as the community and voluntary sector in the UK express major fears of excessive confidence in market-oriented social enterprises on the part of both private organizations (foundations and major corporations within CSR strategies) or public policies seeking to combat social problems while reducing allocated budgets.

5. Conclusions

The historical perspective we have adopted suggests that the distinctive conceptions of social enterprise and social entrepreneurship are deeply rooted in the social, economic, political and cultural contexts in which these organizations emerge. This has at least two major implications. First, contrasting with the analysis of market forces whose major principles increasingly become universal, the understanding of social entrepreneurship and social enterprises requires that researchers humbly take into account the local or national specificities that shape these initiatives in various ways. Secondly, it is clear that supporting the development of social enterprise cannot be done just through exporting US or European approaches.²⁴ Unless they are embedded in local contexts, social enterprises will just be replications of formula that will last only as long as they are fashionable

In Europe, specific governance structures of the social enterprise are put forward with a twofold objective. First, a democratic control and/or a participatory involvement of stakeholders reflect the quest for more economic democracy, in the tradition of cooperatives. They therefore add to constraints on the distribution of profits with a view to protecting and strengthening the primacy of the social mission, which is at the very heart of the organization. Secondly, those two combined guarantees (often involving a strict non-distribution constraint) often act as a 'signal' allowing public authorities to support social enterprises in various ways (legal frameworks, public subsidies, fiscal exemptions, etc). Without these two guarantees, the risk would be greater that public subsidies just induce more profits to be distributed among owners or managers. In turn, such public support often allows social enterprises to avoid purely market-oriented strategies, which, in many cases, would lead them away from those who cannot afford market prices and nevertheless constitute the group that they target in accordance with their social mission. Public policies are also supposed to avoid that the neediest groups depend primarily on private philanthropy.

In the States, the profile of social entrepreneurs and the scaling up of social innovation have been particularly highlighted. As public policies are much less present to support these initiatives, it is not surprising to observe the key role of foundations bringing their financial support. As for business schools, which now begin to strongly influence their European counterparts, they have made and are still making significant contributions to facing challenges such as earning income from the market instead of relying on private giving or public funding, adopting rigorous management methods or developing strategies for a better accountability towards stakeholders.

Last but not least, apart from clear divergences on some important points, our analysis allowed us to identify strong converging features, especially between the EMES approach embedded in the third sector European traditions, on the one hand, and the social innovation school of thought, on the other hand. We have also noted some recent efforts in the academic debate to go beyond the divergences that used to characterize the two major US schools of thought. In this overall perspective, our view is that a deep understanding of what a social enterprise can be is not only meaningful in the academic debate; it is also needed to avoid temptations to simplify social challenges.

Notes

1. With some exceptions, such as the UK since 2002, as will be shown below.
2. Scientific meetings, gathering North-American and European researchers in the field of social enterprise and social entrepreneurship, also took place at the Skoll Centre for Social Entrepreneurship, as well as during the annual Skoll World Forum for Social Entrepreneurship in Oxford. Joint EMES-ISTR European Conferences in 2005 and 2008 proved to be fruitful events as well. The International Social Entrepreneurship Research Conference (ISERC) series, which have been organized since 2005, aim to gather researchers, mainly from business schools, in the field of social entrepreneurship.
3. The inclusion of Ireland in this first group may seem rather odd. However, Ireland has one of the highest shares of employment in the non-profit sector, and the latter relies heavily on public funding. Actually, some research has shown that Ireland is a borderline case between the 'liberal' and the 'corporatist' state (Hicks and Kenworthy 2003).
4. In the other EU countries, the term 'social enterprise' remained quite uncommon with very few exceptions (for instance, Defourny 1994).
5. For a discussion of this concept see Defourny (2001).
6. Skloot (1987, p. 381) as quoted by Dees and Anderson (2006), who also list a few other early authors addressing the same nonprofits' quest for earned income.
7. As the Social Enterprise Alliance defined the social enterprise on its website (www.se-alliance.org) for a long period of time. Social enterprise is now defined as follows on its homepage: 'An organization or venture that advances its social mission through entrepreneurial, earned income strategies'. This vision is also found for example in the various programmes of the NESST (Nonprofit Enterprise and Self-sustainability Team).
8. For instance, the Hass School of Business at UC-Berkeley. See also Boschee (1995) and Austin (2000), the latter stressing particularly partnerships between nonprofits and for-profit companies.
9. As quoted by Mair and Marti (2006).
10. See Mair and Marti (2006), among other authors.
11. The letters EMES stood for '*EM*ergence des *Enterprises Sociales en Europe*' – i.e. the title in French of the vast research project carried out from 1996 through 2000 by the network. The acronym EMES was subsequently retained when the network decided to become a formal international association and went on to conduct other research projects on social enterprises and, more broadly, on the third sector as a whole. Nowadays, the EMES European Research Network

- brings together ten university research centres and individual researchers specialized in these fields throughout Europe.
12. Defourny (2001, pp. 16–18). This set of criteria had already been identified in interim reports to the European Commission (EMES European Research Network 1997, 1998, 1999).
 13. Named PERSE, this project focused on the 'Performance of Social Enterprises' in the field of work integration. Funded by the 5th Framework Programme of the European Commission (DG Research), it was carried out in 12 EU countries from 2001 through 2004.
 14. A large part of the 'cross-sector collaboration continuum' proposed by Austin (2000) to analyse partnering relations between corporations and non-profits may fall in this category. More precisely, traditional donations (representing the 'philanthropic stage' of relations) or collaborations described as the 'transactional stage', such as event sponsorships, cause-related marketing activities or employee volunteer activities, do not, in our view, transform corporations into social enterprises.
 15. We are aware of the possibility to argue that advocating nonprofits may also be described, to a certain extent, as service providers.
 16. For an empirical analysis of the resource mixes in European work integration social enterprises, see Gardin (2006).
 17. See Defourny (2001, pp. 16–18) for all comments of the EMES criteria.
 18. In Italian social cooperatives, workers are members of the cooperative and disadvantaged workers should be members of the B-type cooperative that employs them, if this is compatible with their situation. The statutes may also foresee the presence of volunteers in the membership. In Portuguese 'social solidarity co-operatives', users and workers must be effective members. In French 'collective interest co-operative societies', at least three types of stakeholders must be represented: workers, users and at least a third category, defined according to the project carried out by the cooperative. As for Greek social co-operatives, they are based on a partnership between individuals of the 'target group', psychiatric hospital workers and institutions from the community, and these different stakeholders have to be represented in the board of the organization.
 19. Nicholls (2006) explains that Banks (1972), interestingly, first coined the term 'social entrepreneur' while referring to management approaches inspired by values such as those promoted by Robert Owen, a major utopian widely considered as a father of . . . the cooperative movement.
 20. It is the case for the Italian 'social cooperative', the Portuguese 'social solidarity co-operative', the Spanish 'social initiative cooperative' and the French 'collective interest co-operative society'. In the Belgian 'social purpose company', no single person can have more than 1/10th of the total number of votes linked to the shares being represented. The Belgian social purpose company also provides for procedures allowing each employee to participate in the enterprise's governance through the ownership of capital shares.
 21. In Portuguese 'social solidarity co-operatives' and Spanish 'social initiative cooperatives', any distribution of profit is forbidden.
 22. Distribution of profit is limited by strong rules in Italian 'social cooperatives' and Belgian 'social purpose companies'. The British 'community interest company' includes an asset lock that restricts the distribution of profits and assets to its members; the dividend payable on the shares is subject to a cap set by the regulator.
 23. A key example, often referred to, is provided by the Grameen Bank, which underwent a remarkable growth before it inspired other microfinance initiatives across the world.
 24. For instance, when collaborating with the UNDP to analyse the potential for promoting social enterprise in Central and Eastern European countries and in the Community of Independent States, the EMES Network decided to radically simplify its approach based on Western European experiences (EMES 2008).

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