Social Enterprise: A Conceptual Framework

Conceptual Discussion Paper for the ILO Social Enterprise Development Targeting Unemployed Youth in South Africa (SETYSA) project

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1. **INTRODUCTION**

The SETYSA project seeks to promote social enterprise development in South Africa by supporting progress towards a conducive enabling environment and the development of appropriate business development service (BDS) products for potential social entrepreneurs, with a particular focus on young entrepreneurs. The ultimate objective of the project is to encourage the creation of employment opportunities within social enterprises, as well as the social value delivered by the goods and services they produce. The following conceptual paper presents a framework which will serve as a starting point and background for further research carried out on social business development services and the enabling environment for social enterprises. This paper (a) provides a concise overview of the variations and differences in the definitions on social entrepreneurship, social enterprises, social entrepreneurs, social businesses and social economy used by scholars and practitioners (b) distinguishes the framework and definitions that could be used to categorise strategies and measures which seek to support social enterprise development.
2. **CLARIFICATION OF CONCEPTS**

Despite the increasing academic interest in social economy and social entrepreneurship, there is no common conceptual agreement and understanding of these concepts.\(^1\) Defining these concepts is furthermore complicated given the heterogeneous manifestations of social entrepreneurship in practice. Moreover, although mutually influenced, the theoretical debates among scholars do not necessarily reflect the discussions and debates among practitioners. In order to grasp the heterogeneity in the field various concepts are used (sometimes interchangeably). The most common are social entrepreneurship, social entrepreneurs, social enterprises, social businesses and social economy. It is important to note, however, the conceptual differences of the definitions. Definitions of *social entrepreneurship* typically refer to a general process or overall business culture. Definitions of *social enterprises* and *social business* on the other hand refer to the tangible outcomes of social entrepreneurship. Definitions on *social entrepreneurs* refer to the founder and leader of the initiatives (Mair & Marti: 2005) or even more broadly, the term social entrepreneur often refers to these individuals that are the driving forces behind social innovation. Finally a fourth definition, *social economy*, encompasses some elements of the above definitions since it might be both referring to concrete organizations and a general process. Social economy is often linked to those organizations where economic justice and democratic participation are typically a defining feature.

The above mentioned differences are essential for the further research we will develop within the framework of the SETYSA project. When identifying examples with respect to policy

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\(^1\) For a recent overview on the various definitions and descriptions of social entrepreneurship and social entrepreneurs, see Zahra et al (2009). For a comparison of the American and European perspectives on social enterprises, see Kerlin (2006). For a discussion of the social economy concept and the empirical realities it describes in North and South, see Deffoury, Develtere & Fonteneau (2000).
measures or business development services (BDS), it should be identified whether these measures or services are primarily focused on the enterprise-level, for the entrepreneurs or the process of social entrepreneurship in general.

2.1 Social Entrepreneurship

The definition of social entrepreneurship as adopted by Mair & Marti (2006: 3) defines social entrepreneurship broadly as a “process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs”. According to these authors, the particularity of social entrepreneurship can be found in the relative priority given to social value creation versus economic value creation. Within this perspective social entrepreneurship has social value creation as the primary objective. However economic value creation (in the form of earned income) is necessary in order to guarantee the sustainability of the initiative. Important to highlight in the above definitions is the broad spectrum of organizations and activities that indeed can be inspired by and involved in social entrepreneurship. Consequently social entrepreneurship refers to a general attitude or culture where social needs are addressed in an innovative way. This may include both market-based social businesses and social innovations that are not market-based.

2.2 Social Enterprise

Social entrepreneurship refers to a general process or behaviour, so it is still feasible to distinguish a broad definition which encompasses various organizations. The term “social enterprise” on the other hand, refers to the tangible outcomes of social entrepreneurship, and consequently it is much more difficult to refer to one single description which covers all existing practices. However, some features common to all social enterprises might be distinguished:

- The principal aim of a social enterprise is to deliver social value rather than the maximization of profit.
- Secondly, a social enterprise produces goods or provides services on a continuous basis. Organizations which undertake advocacy (as non profit organizations) or redistribution of financial flows (as grant giving foundations) as their main
objective, are therefore not immediately understood as social enterprises (Defourny & Nyssens, 2008b).

In addition to these core elements, there exist various traditions in defining social enterprises. The European continental tradition largely positions social enterprises ‘at the crossroads of market, public policies and civil society’, operating with a mix of resources, e.g. income from sales, fees from users, public subsidies, and private donations and/or volunteering (see a.o. Defourny & Nyssens, 2008a). In the Anglo-Saxon tradition social enterprises tend to be understood as market oriented economic activities that create earned income for non profit organizations in order to generate revenue for the charitable or social mission of the enterprise. Alternative approaches in this tradition apply the term social enterprise to a wider set of organizations, including for profit companies with a social purpose. This broader and market oriented definition of social enterprise is found for instance in the United Kingdom, where the business model of social enterprises is stressed, as well as in Ireland where social enterprises are described as market-oriented enterprises (Defourny & Nyssens, 2008a). Finally a fourth approach (Dees & Anderson: 2006 in Defourny & Nyssens, 2008a) highlights the innovative aspects of social enterprises. Here, social enterprises are considered as organizations combining at least two of the following elements in an innovative way: new services, new production factors, new forms of organizations or new markets. This ‘social innovation’ school also stresses the role of the social entrepreneur as a vector of change and his role in securing the success of the enterprise and achieving its objectives.

2.3 Social Business

Although the terms social enterprises and social businesses are both referring to private sector organizations, they have acquired different meanings in some regions. In contrast to the concept of social enterprise that refers to initiatives in which a significant part of the income originates from public subsidies and grants, the concept of social business is used to refer to

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2 The EMES network defines social enterprise by indicating four economic criteria (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) and five social criteria (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).
those enterprises that are to a larger extent relying on income generated through trading. (GHK: 2006; Defourny & Nyssens: 2008a)

2.4 Social Economy

Compared to the concepts discussed above, the term “social economy” has longer historical roots. It was first coined in the 19th century to refer to a fair economy, i.e. an economy that contributes to the amelioration of the living conditions and welfare of all people in society, not only of the most privileged. Economic justice and democratic participation are seen as essential elements of the social economy. The field (often also referred to as a ‘sector’) of the social economy has primarily been delineated along the lines of the legal status of the enterprises that, since the 19th century, have been developed to realize social economic aims: cooperatives, mutual societies, associations and foundations. A second approach highlights the common principles and objectives that this type of organizations have in common. The common objective of these organizations is the primacy of people and work over capital. The common principles of these organizations refer to the autonomous management and the democratic decision making process (Defourny et al: 2000). It is generally acknowledged that recent developments within the field of social economy also include a third group of social enterprises where less emphasis is put on the democratic governance aspects of social enterprises and more emphasis is put on the role of the social entrepreneur, such as social businesses, micro finance institutions, etc. It is the latter approach that lies more in the line of this research project.

2.5 Social Entrepreneurs

Several international organizations and foundations, such as the Skoll Foundation, Ashoka, or the Schwab Foundation, are specifically focusing on supporting the work of social entrepreneurs. Moreover, various business schools increasingly pay attention to social entrepreneurship and social entrepreneurs (e.g. INSEAD, Oxford Said Business School). These organizations and schools have played an important role in putting forward the work of social entrepreneurs. When defining social entrepreneurs, the emphasis is put on social entrepreneurs as change makers; driving forces aiming for social innovation (Dees: 2006). The Schwab foundation defines social entrepreneurs as follows:
“Social entrepreneurs are often used and drive social innovation and transformation in various fields including education, health, environment and enterprise development. They pursue poverty alleviation goals with entrepreneurial zeal, business methods and the courage to innovate and overcome traditional practices. A social entrepreneur, similar to a business entrepreneur, builds strong and sustainable organizations, which are either set up as not-for-profits or companies.”

However, as can be read in the above definition, social entrepreneurs are not simply aiming for social innovation. In contrast to social activists who pursue their social objectives by targeted advocacy, social entrepreneurs are realizing their goals and objectives within the framework of a concrete sustainable for-profit or not-for-profit organization. Equally important to highlight from the above definition is the emphasis on the entrepreneurial zeal and business methods used to build a strong and sustainable organization.

2.6 Summary

The SETYSA project seeks to contribute to a stimulating environment for potential social entrepreneurs, with a particular focus on young entrepreneurs. By doing so the project wants to encourage the creation of employment opportunities within social enterprises as well as the social value delivered by the goods and services they produce.

Based on the objectives of the project, some key-elements with respect to the above definitions might be highlighted when conceptualizing social entrepreneurship, social enterprise and social entrepreneurs within the framework of the SETYSA project. We consider social entrepreneurship as a broader culture or behaviour, containing all sorts of activities where social wealth creation has a relative priority above economic wealth creation. Social enterprises are the tangible outcomes of social entrepreneurship. For the purpose of this project, following features are essential when defining social enterprises:

1) The principal objective of the enterprise is to deliver social value rather than maximization of profit.

2) The economic activity of the social enterprise will involve the production of goods and/or services to address social needs in an innovative way.

3) The success of the social enterprise depends importantly on the social entrepreneur in building a strong and sustainable organization, making use of appropriate business methods.

3 http://www.schwabfound.org/
3. **BIBLIOGRAPHY**


