



EMES Position Paper on The Social Business Initiative Communication

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Rationale: The present document has been drafted by the Board of Directors of EMES in response to the launching of the Social Business Initiative communication [COMM(2011) 682/2] by the European Commission on October 25th, 2011. It is meant to reflect the collective view of EMES, gathering the experience and opinions of the leading scholars in the field of social enterprise.

As the leading research network in the field of social enterprise, the EMES European Research Network would like first and foremost to express its appreciation vis-à-vis the launching of the Social Business Initiative by the European Commission. The researchers of EMES appreciate the decision of the Commission to give a specific definition of social enterprise, to recognise the economic and social importance of these organisations in the European Social Model, and to frame this Initiative within other larger policy actions, namely the Europe 2020, the Innovation Union and the Single Market Act.

We also acknowledge the event organised to present the initiative to stakeholders in Brussels on November 18th, 2011, although we would have liked to see a stronger

presence of European researchers, social economy representatives or umbrella organizations and practitioners.

We consider as a major step and we broadly agree with the overall approach and definition and the policy measures suggested in the Communication as well as with the link made with social innovation and Corporate Social Responsibility (CSR) in a document released on the same date. In order to support this important initiative, we also believe that it is vital to start working immediately on improving it. To this end, we would like to suggest a few comments for the Communication, based on the accumulated experience of EMES. Some of the remarks listed here are developed in more detailed further on:

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1. Greater clarity in the terminology (avoiding the confusion between social business, social enterprise and social entrepreneurship) would help consolidate the scope and goals of the Initiative, increasing its effectiveness.
2. While all the proposed policies are helpful and issues related to financing are important, improving the legal and fiscal environment, and increasing the visibility of social enterprises are likely to be at least as beneficial to the sector.
3. The lack of recognition in particular will necessitate a large comparative research effort to improve the knowledge of this type of enterprise, and of a strategic education and training action in order to change perceptions around controversial issues like state aid or public market.

A solid tradition of social enterprise research in Europe

Despite national idiosyncrasies, there is a common ground for social enterprise-oriented action as shown by the research conducted by EMES and other organizations with the support of the European Commission since 1996. Fifteen years ago and under the name “L’émurgence de l’entreprise sociale” (EMES), the first consortium of university professors and researchers from all 15 EU Member States was financed as part of the 4th Framework Programme (1996-1999). This consortium, later formalized as the EMES European Research Network, studied in a systematic and comparative way the conditions of emergence and development of entrepreneurial dynamics focused on social aims, promoting the involvement of public and private stakeholders and promoting community well-being in innovative and sustainable ways. In particular, social enterprises aiming to integrate disadvantaged groups into the labour

market (“Work Integration Social Enterprises”, or WISEs) have been the object of two targeted Framework Programme projects led by EMES. If research produced in the EU is to advance in excellence, becoming more robust and relevant for policy-making, it is also necessary to take stock of the wealth of knowledge and findings that resulted from the different projects financed by consecutive Framework Programmes. These findings are based for the most part on detailed empirical data that documents the evolution of the sector in the past twenty years, and are being used extensively by some international organisations and national governments from other world regions. Moreover, researchers and scholars in the social enterprise field have been active not only as scientists but also as a resource for governments, organisations and citizens interested in this sector. All actors working to advance the field (particularly public administrators and policy makers at all level) need to be aware of this body of knowledge and have a responsibility to take full advantage of it.

Overcoming the terminology barrier

There seems to be some confusion in the use of terminology, including the interchangeable use of expressions such as “social business”, “social entrepreneurship” and “social enterprise”. While a diversity of approaches and the co-existence of definitions are beneficial and desirable for advancing scientific research, when this diversity of terms reaches the policy-making realm, it can cause opportunities to be missed and resources to be lost.

Beyond the cacophony of terms caused by their inaccurate use, the concepts at hand rely on distinct institutional, socio-economic and welfare traditions.

While “social enterprise” has been systematically studied as a European phenomenon for over 15 years, the more recent expression “social entrepreneurship” originated in the Anglo-Saxon (mainly American) context, it was spread around the world by key actors such as Ashoka and NEsST and it often tends to emphasize the role played by single “social entrepreneurs”. As for the expression “social business”, it can be interpreted as any type of business present in the market with a social purpose and it may suggest the best way to establish this type of enterprise is the shareholders company.

These two concepts disregard the fact that the European experiences in this field are organised (and ruled by several national laws) mainly as cooperatives, associations and social enterprises based in the social economy. The use of the expression “social business” instead of that of “social enterprise” entails a risk of overlooking organisations devoted to the delivery of welfare services in an entrepreneurial way, and causes a reduction in the impact sought by the policies and tools proposed by the European Commission.

The definition of social enterprise proposed in the Social Business Initiative communication is a positive step towards recognising the specificity of this type of organisation, as it correctly addresses the three key dimensions that distinguish a social enterprise (entrepreneurial activity, social aims, and participatory governance). However, this definition could be further refined by building on the work conducted by EMES on these issues.

In particular, there are three indicators that reflect the economic and *entrepreneurial* dimensions of social enterprises:

- A continuous activity producing goods and/or selling services;

- A significant level of economic risk;
- A minimum amount of paid work.

Two indicators encapsulate the *social* dimensions of such enterprises:

- An explicit aim to benefit the community;
- An initiative launched by a group of citizens or civil society organizations.

Four indicators reflect the specificity of the *governance* of such enterprises:

- A high degree of autonomy;
- A decision-making power not based on capital ownership;
- A participatory nature, which involves various parties affected by the activity;
- A limited profit distribution.

EMES strongly supports the Commission in its initiatives aiming to unfold and exploit the full potential of the social economy. Relevant connections do exist among social enterprises, social businesses and notions like CSR, but a straightforward language is needed to present how these types of actions both differ from and are related to each other, with a view to supporting their full potential.

Reassessing the SBI priorities

With respect to the policy actions proposed in the communication, the research conducted on social enterprises in Europe suggests that they tend not to be capital-intensive organisations, at least in their start-up phase. As such, access to private funding and financing tools might not be their most pressing need.

Specific instruments suggested by the communication in its action keys 1 and 2 (social investment funds and microcredit) are amongst those relevant for European social enterprises. However, there are various other funding mechanisms (including for instance member financing, mutual funds, state aid, specialized credit instruments already developed by the banking sector, etc.) that

could be easier to implement and more in line with the needs and characteristics of social enterprises. In particular, as demonstrated by some national experiences, an important way for increasing the assets of these enterprises are self-financing mechanisms like the asset lock (or indivisible reserve) provision, that should be incentivized via specific fiscal advantages.

If the goal of the Social Business Initiative is to strengthen the social enterprise sector in Europe, though, improving the legal and fiscal environment is certainly among the very few most important actions the European Commission could undertake. In this respect, we are pleased to see that several of the actions listed in the communication go in this direction and address several important issues, including in particular state aid and public procurement rules.

It is also extremely important to develop appropriate legal forms that could be used by social enterprises. However, the communication seems to focus on reforming existing legal forms (such as foundations and mutuals) which, in many European countries, are not necessarily the more entrepreneurial in nature. History shows that social enterprises have been able to grow and prosper when they have found innovative organisational forms, as in the case of social cooperatives in Italy. It would thus be more beneficial to focus on a possible common European statute for social enterprises, as suggested in the “Beyond the Action Plan” section.

To this end, it will be paramount to rely on the research conducted thus far on the defining features of social enterprises, and EMES is ready to contribute in any way it can.

Implementing a research, education and training agenda on social enterprise in Europe

In the Single Market Act, recently adopted by the European Commission, social entrepreneurship and the social economy have been defined as one out of twelve levers to create a new growth agenda in areas like social service, social work and work integration, but also in areas of climate change, quality food and access to scarce resources.

However, there is still a need for a better understanding of the characteristics of the social enterprise phenomenon, which has developed along different paths in different countries. To this end, it would be helpful to launch new comparative research initiatives, which would both help inform new policy actions and serve as a basis for targeted training activities.

Indeed, educating and training the next generations of policy-makers, social entrepreneurs and researchers is a crucial element for achieving the objectives set forth in the Single Market Act and in the EU2020 strategy.

As with research, there exists a vast tradition of training and education in Europe for university students and continuing education. The prospect of organizing a EU-wide program can count on a critical mass of actors (students, professors, HEIs, etc.) and European *know how*: there's a wealth of teaching and training materials and traditions on the topic, ranging from courses to full-fledged two-year vocational and HEI programs and EMES members have been leaders in this field.

Moreover, many member States Ministries (although not necessarily Ministries of education) as well as regional/local entities are demanding such programs. Despite this wealth and the existence of informal networks, a framework to make these collaborations crystallise should be promoted by the European Commission, maybe with the direct support of the UNESCO.

Conclusions

EMES has identified in the past years numerous incongruent points that weaken and ultimately hinder the emergence and consolidation of a potential strategy that fully and systematically supports the development and sustainability of social enterprises in a mixed economy. The proactive initiative of the Commission with the Social Business Initiative is a critically important step in this direction,

and the policies it promotes have the potential to be a fundamental element in supporting the social and solidarity economy in the new Single Market.

The research conducted by EMES on social enterprise and social economy, which has always been undertaken in a close relation with the interests of the EU, provides a basis for refining and strengthening the policy proposals in the Social Business Initiative, as outlined in this position paper. EMES and its members are deeply willing to continue to put their research, training and development capacity to the service of the EU, and to help the Commission develop the best possible policies to strengthen the European social enterprise sector, at a moment of high relevance for the future of a smart, sustainable, and inclusive growth in Europe.

Useful resources: We propose a limited number of texts by some EMES members that should be useful to clarify some aspects related to social enterprise and associated concepts. Please let us know if you would like a copy of these texts and we will be happy to provide them to you.

Borzaga, C. and Galera, G. (2010) "Social enterprise. An international overview of its conceptual evolution and legal implementation", *Social Enterprise Journal* Vol. 5, Issue 3, pp.210 - 228.

Borzaga, C. and Bodini, R. (2011) "What to Make of Social Innovation? Towards a Framework for Policy Development", Presented at the *2011 International Social Innovation Research Conference*, London South Bank University, September 12-13, 2011.

Defourny, J. and Nyssens, M. (2010) "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences", *Journal of Social Entrepreneurship*, Vol. 1, No. 1, pp. 32-53.

Hart, K., J-L. Laville and A.D. Cattani, eds. (2010) *The Human Economy*. Cambridge: Polity Press.

Hulgård, L. (2011) "Social economy and social enterprise: an emerging alternative to mainstream market economy?", *China Journal of Social Work*, Vol. 4, Issue 3, 201-215.

Spear, R. (2006) "Social entrepreneurship: a different model?", *International Journal of Social Economics*, May, 33(5 & 6), pp. 399-410.

Additional texts and publications are available on the EMES European Research Network website (www.emes.net)