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Elgar Encyclopedia of Development: Social Enterprise

Introduction: The rise of social enterprise

A social enterprise is a *for-purpose* business ventures as opposed to a for-profit one. Sometimes referred to as a ‘business with a social mission’, a social enterprise normally invests financial net-gains into achieving social goals such as employment or training for disadvantaged people, poverty reduction, environmental clean-up and delivering community services, rather than enriching its owners. Social enterprises are accountable to the community that they serve; they vary in size and in the scale of their outreach and they are classified as part of the social economy, where civic organisations earn revenues by trading as opposed to relying exclusively on grants and fundraising.

Trading for a social purpose is nothing new; the Red Cross began trading in order to supplement revenues during the First World War. However, since the 1980s, the not-for-profit sector in many countries has taken a stronger commercial turn. Policy makers in the ‘rich world’ initially became appreciative of social enterprise’s potential for regional development and competitive public services (see Amin 2009). Social enterprise later gained a profile in international development, where it has been incorporated into the broader language of “*business at the base of the economic pyramid*” by the World Bank and United Nations agencies (see Castresana 2013).

Conceptual foundations: from hybridity, to schools of thought and typologies

Conceptually, social enterprises are viewed to be “*hybrid organisations*”. They combine not-for-profit sector values with private sector methods, to serve either the general public interest or the interest of mutual groups (see Ridley-Duff & Bull 2019, 83-86). Social enterprises therefore manage conflicting logics; the benchmark for success in this regard is their management of a “double bottom line” constituted by social goals and financial goals, in a way that ensures maximising profits does not take precedence over responding to an identified social need (Doherty, Haugh & Lyon 2014). Social enterprises are also considered hybrid because they are “multi-resource organisations”; they combine donations and in-kind assistance from companies and volunteers with commercial revenues and sometimes user fees or membership fees (Doherty et al. 2014). The sustainable performance of social enterprises is thus deemed to be determined by their capacity to continually produce “social

value” – defined as benefits arising to society from mobilising under-utilised resources in new ways, that would not already arise by other means without the social enterprise (Di Domenico, Haugh & Tracey 2010; Ryan & Lyne 2008) – in tandem with economic value.

Despite what social enterprises have in common, their diverse missions and strategies make generalisation problematic. In early texts it was proposed that social enterprises settle at some point along a spectrum between being wholly motivated by market principles and wholly motivated by philanthropy and volunteering as a means for goal achievement, by finding a productive balance in methods and pricing that satisfies stakeholders (Dees 1998; Nicholls 2006). A further axis from Kim Alter (2007) elaborated on the centrality of the social mission; that is, whether commercial activities are “*mission-centric*” (directly targeted at an identified need), “*mission-related*” (for instance when assets are leveraged to subsidise a service for excluded groups) or “*mission-unrelated*” (a commercial venture with no objective other than gaining revenue to sustain a separate social intervention). Both axes were important to thinking framed as the “enterprising non-profit” school that initially came from US business schools; this sees social enterprise as a strategy for resilience that diversifies non-profit organisations resources while providing greater independence from grant agencies that have their own agendas (see Dees 1998).

However, while the above axes are helpful for understanding strategies, they also underline why social enterprises cannot be pinned down to any particular organisational format. One unresolved (and hotly contested) issue is the means by which social enterprises are instigated and governed. Two differing schools of thought in this regard are the “social innovation school” on one hand and the European Social Enterprise Network (EMES) on the other hand:

- The social innovation school, that draws from the US management and leadership tradition and has garnered support from well-resourced social entrepreneurship foundations, prioritises the role of individuals (labelled “social entrepreneurs”) who are adept in multiple spheres. This school advocates accountable governance that gives these individuals the freedom to innovate and respond quickly to market opportunities.
- EMES scholarship draws on the European cooperative tradition, advocating for the initiation of social enterprises by groups of citizens and for collective decision making that ideally incorporates not just members but also external stakeholders. This serves numerous purposes including securing the social mission, mobilising public good will

towards the enterprise and helping to strengthen economic democracy within society. (See Defourny & Nyssens 2010).

These differences have never been reconciled. Rather, on the basis of international comparative research, the particularities of business models, social missions and governance structures have become viewed as interconnected dimensions that yield particular social enterprise typologies. As Defourny and Nyssens (2017) note:

“[T]he kind of social mission is likely to shape the type of business model and governance structure; conversely, the chosen economic model is likely to influence the way in which the social mission is pursued and/or evolves, and the primacy of the latter may be better ensured by some forms of governance” (Defourny & Nyssens 2017, 2494).

Social enterprise on the whole is accordingly likened to a zoo with different “species of zoo animals”, each of which can contain sub-species (Young & Lecy 2014). Literature in highly ranked journals has consequentially matured beyond definitional debates according to Doherty et al. (2014), who iterate that institutional and organizational processes and the balance struck between dedicating resources to different kinds of activities including human resource development, networking, marketing, stakeholder engagement and lobbying, are of much greater interest for understanding social enterprise along with the positive and negative effects of its hybridity.

Context and practice

Given the best one can do is speak of different types of social enterprise, then for the purpose of focused research and policy making, it is most productive to pay attention to the specific contexts in which social enterprises emerge. Janelle Kerlin (2013) makes a noteworthy case for defining social enterprise according to context, by drawing on the theory of historic institutionalism and proposing that causal pathways are instigated by the interaction between cultural dynamics, types of government and stages of economic development, all of which impact on models of civil society and the consequential scope for innovation with new institutions such as social enterprises. Similarly, Ash Amin (2009) represents the social economy as a contextual response to the relative strength of three drivers: welfare states; markets and the social economy itself which is manifest by the vibrancy of trading member associations and cooperatives alongside non-profit enterprises (see Figure 1).

	Strong Social Economy	Weak Social Economy
Strong market mechanisms and strong welfare state	Parallel sector (to the public and private sector) with a distinctive ethos. (Scandinavia).	Market orientation to reduce the role of government in service provision. (UK, South Korea).
Strong markets mechanisms and weak welfare state	Remedy for certain inequalities by promoting new socially inclusive markets. (US).	Cheap substitute for more expensive social goods and services. (Eastern Europe).
Weak market mechanisms and weak welfare state	Post-capitalist possibility, viable economic alternatives. (Brazil, Philippines).	Social economy blends with informal activity and reliance on NGOs. Overall impact on poverty is weak. (African nations, some Asian nations).

Figure 1: Situated practice of social economies (adapted from Amin, 2009, 13-17)

The context most immediately pertinent to international development practitioners lies along the bottom row of the above formulation – that is, countries that have weak market mechanisms and weak welfare state services. In such circumstances, where the civic tradition of the social economy is quite strong, interventions might be aimed at local economic development in a way that mitigates the exclusionary aspects of market capitalism. In Brazil for instance, a mapping of the social economy signified some 20,000 solidarity economy enterprises, 60% of which are associations, where there is a tradition of targeting social problems like youth inclusion, gang violence and more recently environmental concerns (Gaiger, Ferrarini & Veronese 2015). In the 2000s, the left-wing Workers Party Government worked with Universities, where a cultural concern with inequality is impacted by the social pedagogy of Paulo Friere, to instigate solidarity economy incubators and foster start-up social enterprises with close relationships to beneficiaries and other local businesses (see Lechat 2009), thus orienting commercial networks towards a plural economy focused on solidarity, equity and meeting social needs that free market capitalist economy had been neglecting.

Where the social economy is not so strong, Amin's (2009) projection of situated practice suggests social enterprises are more likely to operate in informal economy markets, often helped by NGOs that might instigate ventures of their own to achieve objectives by commercial means while also striving to diversify their revenues. Kerlin (2013) views this as a context where social enterprise arises from traditional social relationships and customary

help, commonly taking the form of anti-poverty measures helped by international aid. The depiction typifies the emergence of social enterprise in Cambodia in Southeast Asia for instance, where the commercial non-profit turn (Khieng & Dahles 2015), the institutional embeddedness of different models (Khieng & Lyne 2019) and the rural trajectory of social enterprise (Lyne, Ngin & Santoyo-Rio 2018) are closely studied. Cambodia is an instructive case for international development because of its high concentration of NGOs, resulting from vast investments by the international community into post-conflict reconstruction efforts throughout the 1990s. Over the past decade, NGOs' declining access to aid in Cambodia has been accompanied by a strong turn to commercial strategies. Consequently, 'trading non-profit' organisations that seek to monetise services where possible, resembling the US 'enterprising non-profit' mentality, have become the most common phenomenon. Moreover, the most successful trading not-for-profit organisations in Cambodia have attracted financial and technical support from foundations like Skoll, Ashoka, Schwab and Rockefeller, which has helped to embed a normative focus on entrepreneurial leaders rather than participatory governance (see Khieng & Lyne 2019, 25-26).

New trajectories, sustainable development and controversies

As social enterprise has matured in Cambodia, more advanced and ambitious social business franchise models have emerged. One NGO has instigated network of franchised family planning service centres to assist female empowerment and poverty reduction in rural areas (Lyne et al. 2018). Another NGO has instigated a network of around 250 franchised water kiosks delivering treated drinking water in refillable 20 litre bottles in more than 2500 Cambodian villages nationwide. This NGO identifies with the conception of "social business" popularised by Grameen microfinance pioneer Mohammed Yunus in Bangladesh. Yunus's concept describes a social enterprise typology focused on providing "*goods or services to (very) poor customers who should be seen as a new market segment (often called the "bottom of the pyramid") in developing countries*" (Defourny & Nyssens 2017, 2484). It commonly involves non-profit/for-profit partnerships; numerous for-profit corporations are providing technical, logistical and business support to this NGO, while its water kiosk constructions are bankrolled in each instance by international development agencies including multi-lateral and bi-lateral agencies and international NGOs.

The situated practice of social enterprise elaborated by Ash Amin (2009) is useful not just for understanding the context of social enterprise, but also for thinking about change trajectories

and future scenarios. Social business will continue to be generously supported: it attracts international development agencies as a means of sustainable development, because it is capable of reaching a considerable scale; and it attracts supportive international corporations that have an interest in framing sustainable development through a market-driven lens (see Castresana 2013). It also attracts policy makers in low income countries as a way to achieve sustainable development without public budgets; in Bangladesh, social business delivers social welfare on a bigger scale than Government agencies (Nicholls 2013). Over time, it is foreseeable that social business will impact on situated practice of social enterprise by strengthening markets for important goods and services. However, it is also unlikely that this will strengthen the social economy very much; social business is commensurate with the social innovation model where the entrepreneurial aspect is prioritised over the democratic one. In this context, a transition from informal sector enterprise with NGO support, seems most likely to arrive at a context where social enterprise provides cheap substitutes for more expensive services or infrastructures, for instance potable piped water supplies in the case of rural Cambodia.

The “human right to water” that was ratified by member states of the UN General Assembly is a controversial concern. Achieving and sustaining it without advocacy work is questionable according to water activists and scholars (see Sultana & Loftus 2020). Reducing the right to water to service provision in this regard, is also therefore pertinent to wider social enterprise controversies regarding the role and development of civil society, in both the rich and poor world. In Cambodia, social enterprise is appraised positively as a means by which Local NGOs enhance resilience, while making themselves more accountable to their beneficiaries who can exercise consumer choices instead of having their focus determined by the grant-making priorities of international development agencies (Khieng & Dahles 2015). At the same time, numerous initiatives that began as promising ones during the Cambodian NGO boom have since been hollowed out by commercialisation; microfinance has been heavily criticised in this regard for turning NGOs into entrepreneurial (often predatory) service providers, that hire business people and institute economic values as the primary basis of civic action (Norman 2014). This resonates with wider critique of social enterprise and social entrepreneurship for the way it positions social change as a post-ideological or post-political concern that can be addressed by using the latest technical management tools (Dey & Steyaert 2010) while rendering civil society as a governable terrain constituted by

homogenous service-provider organisations, irrespective of these organisations' unique origins and reasonings (Carmel & Harlock 2008).

Conclusion

Social enterprises can be organic hybrids, whereby not-for-profit organisations transition from exclusive reliance on grants and/or donations by embarking on a trading model, or alternatively whereby for-profit companies gradually incorporate not-for-profit goals and values. Social enterprises can also come into being as enacted hybrids; that is, where an organisation is set up as a for-purpose trading venture from the outset (Doherty et al. 2014). It is foreseeable that in many lower income countries, and especially ones where legacies of conflict or traumas have weakened organisation within the social economy, there will be a transition to commercial avenues among civil society organisations or NGOs that will be driven by resource dependency to some degree as their opportunities for grants diminish. This is not to say that resource dependency always explains why NGOs instigate social enterprises; the belief in combining market orientation, entrepreneurship and strategic organisational development as a means for radical social change can be perfectly sincere. However, trade-offs in strategies can be tricky to negotiate over time. It is also likely, that social business models – this is, enacted hybrid organisations using a bottom of the pyramid model and similar principles for growth to those used by microfinance institutions, will become the main priority for development actors including the United Nations agencies and the World Bank, as far as social enterprise is concerned.

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