INTRODUCTION

In almost all industrialised countries, we are witnessing today a remarkable growth in the "third sector", i.e. in socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector. These initiatives generally derive their impetus from voluntary organisations, and often operate under a wide variety of legal structures. In many ways they represent the new or renewed expression of civil society against a background of economic crisis, the weakening of social bonds and difficulties of the Welfare State.

The importance of this third sector, which is often called the "non-profit sector" or the "social economy", is now such that it is broadly associated with the major economic roles of the public authorities: with the allocation of resources through production of quasi-public goods and services; with the redistributive function through the provision, free or almost free of charge, of a wide range of services to deprived people via the voluntary contributions (in money or through voluntary work) which many associations can mobilise; and finally, with the regulation of economic life when, for example, associations or social co-operatives are the usual partners of public authorities in the task of helping poorly qualified unemployed people, who are at risk of permanent exclusion from the labour market, back into work.

The persistence of structural unemployment in many countries, the need to reduce State budget deficits and to keep them at low level, the difficulties of traditional social policies and the need for more active integration policies have naturally raised the question of how far the third sector can help to meet these challenges and perhaps take over from public authorities in some areas.

Of course there is no simple answer to this question, and the debate is still wide open. Some regard associations as made-to-measure partners for new transfers of responsibility and parallel reductions in public costs. The qualities usually attributed to private enterprise (flexibility, rapidity, creativity, a willingness to take on responsibility etc.) are expected to lead to improvements in the services provided. Others, on the other hand, fear that the third sector will become an instrument for privatisation policies, leading to social deregulation and the gradual unravelling of acquired social rights. Others yet stress the fact that our societies
are moving towards a redefinition of relationships between the individual, the intermediate structures of civil society and the State.

In any case, we are probably moving from a "welfare state" to a new "welfare mix" where responsibility should be shared among public authorities, for-profit providers and third sector organisations on the basis of strict criteria of both efficiency and fairness.

In the crucial debate on the place and role of the third sector, the aim of the present work is to expose and analyse a major impetus in this little-known area of our economies: the increasing numbers of economic initiatives we will call "social enterprises", which bear witness to the development, throughout Europe, of a new entrepreneurial spirit focused on social aims. But let us be quite clear: the social enterprises we are about to discuss are new entities which may be regarded as a sub-division of the third sector, but they also set out a process, a new (social) enterprise spirit which takes up and re-fashion older experiences. In this sense they reflect a trend, a groundswell involving the whole of the third sector. This work hopes to offer insights which will enrich and even renew, at least in part, existing approaches to and analyses of this third sector.

Before discussing the notion of social enterprises, we thus need to set out the main approaches developed over the last quarter of a century, in order to have a grasp of the situation in the third sector. In this perspective, we first point out the main steps which led the scientific community to rediscover the third sector as a whole in the last decades (section 1); the two subsequent sections are devoted to two major (already mentioned) conceptual frameworks which were built on the basis of this growing interest, i.e. the notions of the social economy (section 2) and the non-profit sector (section 3). We also try to identify clearly the convergences and divergences of these two approaches (section 4) and the kinds of limitations they may have, especially to capture the dynamics currently being witnessed within the third sector (section 5). Indeed, as we will argue, the innovative features which can be observed may be regarded as a new social entrepreneurship (section 6) and this leads us to propose a definition of the social enterprise, namely the one which has been used as a working basis for the whole joint research project which gave birth to this book (section 7). We then show that such a conceptual basis allowed to identify a wide variety of social enterprises in all EU countries (section 8). Focusing on a limited number of these initiatives, we present the main questions which have guided the in-depth analysis undertaken by researchers in each of the fifteen countries and which have been discussed within this European scientific network (named the EMES network) throughout all joint sessions held along the four years of the project (section 9). These questions may be considered as the red line of all the "country chapters" which form the first major part of the book. They also represent the point of

---

1 EMES refers to the title of the research project as submitted in French to the European Commission: "L'émergence des entreprises sociales en Europe".
departure of the theoretical contributions which constitute the other major part of the book, as explained in the last section of this general introduction.

1. THE (RE)DISCOVERY OF THE THIRD SECTOR

There have long been scientists interested in economic initiatives of a "third type", that belong neither to the for-profit private sector nor to the public sector. Especially, a rich literature has been developed throughout the whole 20th century about co-operatives, a kind of enterprise organised according to specific "co-operative principles" which has spread in all parts of the world.

In the late 60s, workers' co-operatives and the so-called "labour-managed firms" even entered the heart of neo-classical economics and gave birth to a widely respected theoretical and empirical corpus.

In other fields, like sociology, a lot of research on voluntary organisations has been undertaken since the middle of the century.

However, the idea of a distinct "third sector", made up of most enterprises and organisations which are not priorily seeking profit nor are part of the public sector, really began to emerge in the mid 70s. Such organisations were certainly already very active in many areas of activity and were already the subject of specific public policies. But the idea of bringing these bodies together and the theoretical basis on which this might be done had not really been put forward until then.

As problems caused by the economic crisis deepened, the awareness of the limitations of the traditional public and private sectors steadily grew. Against this background, the interest in other kinds of economic organisations was strongly reactivated, a bit like the search for a "third way" of development between capitalism and state socialism by newly independent countries during the 1950s and 1960s, though on a different scale.

In the United States the work of the Filer Commission, and, in 1976, Yale University's "Program on Non-profit Organisations", involving 150 researchers, marked a decisive step in defining the theoretical basis of non-profit organisations (NPOs) and the non-profit sector.

---

2 Among the oldest and still existing scientific journals fully or partly dedicated to co-operatives, we should mention the Revue des Études Coopératives (founded in 1921 by Ch. Gide) lately renamed RECMA, the Annals of Public and Co-operative Economics (founded in 1908).

3 The journal Economic Analysis and Workers' Management launched in the late 70s well represented this line of research. Now published under the shorter title Economic Analysis, it still covers the economics of self-management and workers' co-operatives but it has enlarged its scope of interest to the whole "economics of participation".

4 From the 30s through the 60s, Western economies had been increasingly regarded as mixed economies made of two major sectors as State intervention and the public sector became a second major component alongside with the private for-profit sector.
Since then, a vast scientific literature on NPOs has developed, with contributions from disciplines as diverse as economics, sociology, political science, history, and law.

In Europe, widely varying socio-political, cultural and economic national circumstances have not allowed such a wide-ranging and rapid awareness of the third sector to develop. However, the economic entities which gradually came to light through a third sector approach were already important factors in most countries. They were also rooted in solid and long-standing traditions: mutual organisations and co-operatives had to some extent existed everywhere for more than a century, and association-based economic initiatives as well as self-help movements had also been increasing in numbers for some considerable time.

In fact, without denying that the general public's view is strongly characterised by the historical context of each country, it may be said that two theoretical approaches to the third sector gradually spread internationally, accompanied by statistical work aimed at quantifying its economic importance. One approach is the "non-profit sector" approach already mentioned; the other, French in origin, forged the concept of the "social economy" to bring together co-operatives, mutual societies and associations (with increasing frequency, foundations are also included). Although the first view has an advantage of simplicity and the strength of a framework designed the grasp the U.S. situation, the second approach has also found an ever-greater echo throughout Europe and has been taken up by the European Union's institutions.

Other theories of the third sector have also been developed internationally. This is particularly the case for the tri-polar approach which sees the economy in terms of three poles, sometimes represented by three types of agents (private enterprise, the state, and households), sometimes according to the principles and methods by which exchanges are regulated (the market, public redistribution and reciprocity) and in other cases according to the types of resources involved (commercial, non-commercial or non-monetary). In such a perspective, the third sector is viewed as an intermediate space in which the different poles can combine. Because of their flexibility such approaches can help to reconcile the notions of "non-profit sector" and "social economy", and they occupy an important place in the theoretical chapters of the present work. But for now we shall confine ourselves to the first two lines of approach,

---

5 The international scientific journals Non-profit and Voluntary Sector Quarterly and Voluntas provide a valuable overview of this literature.
6 This approach is well illustrated by the evolution of an already mentioned French journal which became the Revue des Études Coopératives, Mutualistes et Associatives (RECMA).
7 For some considerable time there has existed a "social economy intergroup" within the European Parliament and the Economic and Social Committee and a "social economy unit" was set up a decade ago by DG XXIII of the European Commission; more recently the latter officially recognised a "consultative committee on co-operatives, mutual societies, associations and foundations". Some of these bodies are currently undergoing significant changes but, more generally, an increasing number of action programmes and decisions from the Council of Ministers refer explicitly to the social economy, as for instance the guidelines for National Action Plans all member State governments have to design.
9 Laville (1994).
and shall examine their particular features, their points of convergence and their differences with a view to showing to what extent they can account for the "social enterprise" phenomenon.

2. THE NOTION OF THE SOCIAL ECONOMY

Virtually all works on the social economy describe it in terms of three main components. This is what might be presented as the legal-institutional approach to the social economy, usually combined with a normative or ethical approach which establishes the essential common features of these different elements.

THE LEGAL - INSTITUTIONAL APPROACH

In most industrialised countries, third sector enterprises and organisations may be grouped into three major categories: co-operative enterprises, mutual societies, and those organisations which might generally be described as "associations", whose legal form may vary considerably from one country to another. This is an approach whose historical roots run deep: organisations of this kind have existed for a very long time, although they have only gradually been given legal recognition for activities based on the free association of their members which remained informal and sometimes even secret throughout most of the 19th century.

Although this way of looking at the social economy originated in France, its relevance goes far beyond the French borders, since the three main components of the social economy are to be found almost everywhere:

- Co-operative-style enterprises: from the middle of the 19th century, co-operatives have spread internationally and they are now to be found world-wide\(^\text{10}\). The co-operative movement is a great tree whose branches continue to spread. There are agricultural co-operatives, saving and credit co-operatives, consumers' co-operatives, insurance co-operatives, retail co-operatives, housing co-operatives and so on. A great deal of long-standing co-operatives have developed in markets which became quite competitive; as a result, they have been pushed to increasingly behave like their profit maximising competitors. However, most of them still keep some specific co-operative characteristics and, even more importantly, in the last decades, the co-operative movement has continuously been renewed by the emergence of initiatives like workers' co-operatives in new fields of activity or social co-operatives.

\(^{10}\) A key reference in the first wave of co-operative development is the Rochdale Society of Equitable Pioneers, which was founded in 1844 north of Manchester by a group of weavers. Its constitution is usually seen as the first expression of those "co-operatives principles" which, in spite of several revisions, continue to inspire the co-operative movement throughout the world. Today the International Co-operative Alliance (ICA) gathers over 750 million members of co-operatives over five continents.
This first component of the social economy also covers various initiatives which are not explicitly called co-operatives but which adopt closely related rules and practices. This is especially true in developing countries, but also holds good for industrialised countries where some enterprises, not set up as co-operatives but having a social purpose, can also be ranged under this heading (for instance the Spanish *sociedades laborales*).

- **Mutual-type organisations**: mutual help societies have existed in most places for a very long time. In many cases, they have gradually been institutionalised and in various industrialised countries they have become major players in social security systems\(^\text{11}\). However, the mutual component of the third sector also includes many organisations of various types\(^\text{12}\) which cater to the need of local communities to organise for themselves community insurance systems, for instance in countries where social security systems are at an early stage of development and only cover a small part of the population. They may mutualise a wide range of risks, including health (costs of treatment, medicines, and hospitalisation), death (material support for the family of the deceased), funerals, bad harvests or catches.

- **Associations**: the freedom of association is formally recognised in most countries of the world but in a wide variety of legal forms and under more or less encouraging circumstances. In practice, this third component includes a lot of advocacy organisations which, by the way, may also be seen as providers of services to their members, to other people (as Save the Children, for example) or to the whole community (for instance Greenpeace). More generally it includes all other forms of free association of persons for the production of goods or services where making a profit is not the essential purpose. Obviously these organisations go under a wide variety of names: associations, non-profit organisations, voluntary organisations, non-governmental organisations, ideell associations, and so on. Foundations and some other country-specific organisations (such as charities in the United Kingdom) are also often considered under this heading.

Finally, let us stress that although this first line of approach to the social economy is based on identifying major institutional types, it does not impose any great degree of legal formalism. Certainly, for the purposes of assembling statistical data, the legal status of these organisations is often an essential means of identification. But depending on the point of view adopted, we can also include in these three components a number of long-standing informal initiatives. This is a most important point, since there are large numbers of *de facto* associations in industrialised countries and even more informal activities in the countries of the South which appear to be of co-operative, mutual or associative type.

---

\(^{11}\) Many of these mutual societies are members of the *Association Internationale de la Mutualité* (AIM).

\(^{12}\) Often arising from local culture and reflecting the values or practices of community solidarity.
THE NORMATIVE APPROACH

The second way of regarding the social economy consists of emphasising the principles that its organisations have in common. In other words, it is a matter of showing as precisely as possible why certain very different enterprises and organisations deserve the same designation, and in what common fashion they may be distinguished from the traditional private sector and the public sector.

This normative approach is crucial and cannot be considered as a optional complement to the first one. Doing this would convey a risk of opposing the long-established organisations which easily fit the main categories of the institutional approach to the newly born third sector initiatives which often refer more to specific values and practices than to legal forms

Today there is broad agreement that these common features relate to the productive purpose and to the internal structure of these organisations. There are several ways of defining the social economy, but the one which follows has the advantage of combining the legal/institutional approach already described with an affirmation of the values and principles which underpin the third sector (the normative or ethical approach). This definition, which is used in several countries, states that:

"The social economy includes economic activities carried out by co-operatives and related enterprises, mutual societies and associations whose ethical stance is represented by the following principles:
- the aim of serving members or the community, rather than generating profit;
- independent management;
- a democratic decision making process;
- the primacy of people and labour over capital in the distribution of income.

With the purpose of service, emphasis is placed on the fact that activities carried out in the social economy provide a service to members or to a wider community and are not primarily a means of making a financial return on capital investment. The possible generation of a surplus may thus be a means of realising the services, but not the main motivation behind the activity.

Management independence is principally a means of distinguishing the social economy from public entities producing goods and services. The economic activities carried out by the latter do not in general benefit from the wide-ranging independence which provides an essential impetus in voluntary initiatives.

---

13 This happened in France in the 80s and gave birth to another notion, the "économie solidaire", which is intended to reflect specific features of new initiatives. Therefore, the whole third sector is increasingly referred to as the "économie sociale et solidaire".
The need for a democratic decision making process derives from the "one member, one vote" principle which is a key one in the co-operative thought. Although this may be expressed through a great variety of effective practices, the traditional rule "one share, one vote" is clearly excluded and there is at least a strict limit placed on the number of votes per member in the body which holds the ultimate decision making power.

Finally, the fourth principle - the primacy of people and labour in the distribution of income - derives directly from the others (and may thus be seen as less essential). It covers a wide range of practices within organisations in the social economy: limited remuneration of capital, distribution of surplus among the workforce or members/users in the form of bonuses, the creation of reserve funds for business development, the immediate use of surpluses for social purposes etc.

As already mentioned, the concept of social economy is increasingly used in the Europe Union and since the 1980s numerous studies have been carried out to further the statistical knowledge of the social economy14.

3. THE CONCEPT OF NON-PROFIT SECTOR

As in the case of the social economy when viewed through an institutional approach, the concept of non-profit sector is deeply rooted in history, namely American history. As stated by L. M. Salamon (1997), "[one of the factors which accounted for the early growth of the American penchant for voluntary association] was the deep-seated hostility to royal power and centralized State authority that the religious non conformists who helped populate the American colonies brought with them when they fled the Old World"15. But it is only in the late 19th century that the idea of a distinct non-profit sector really began to take place. Nonprofit organisations were then promoted not simply as supplements to public action but as superior vehicles for meeting public needs.

Although the expansion of the non-profit sector in the 60s and 70s was strongly linked to partnership with government which increasingly supported these organisations, American perception of the latter remains marked by anti-State attitudes as shown by the growing use of the term "independent sector" to refer to these entities.

TAX-EXEMPTION AS A KEY CRITERION

It is mainly through the tax laws that the non-profit sector has come to be legally defined in the United States. In particular, the federal tax code identifies some twenty-six different categories of organisations that are entitled to exemption from federal income

14 See Defourny and Mertens (1999) for a brief summary of comparative statistical studies carried out across the European Union. See also CIRIEC (2000) for an recent attempt to update these figures.
15 Salamon (1997), 282.
taxation. These organisations must be operated in such a way that "no part of (their) earnings inures to the benefit of" their officers or directors and their founding document must stipulate this.

Although these tax-exempt organisations are of various kinds and include member serving organisations as well as primarily public serving organisations, much of the discussion of the non-profit sector in the recent American literature focuses on the second category, that is a subset of organisations that are tax-exempt and eligible to receive tax deductible gifts under Section 501 (c) (3) of the Internal Revenue Code. These organisations, which represent a very large range of public benefit activities (schools, colleges, universities, hospitals, museums, libraries, day care centres, social service agencies, ...), are therefore thought of as the heart of the non-profit sector.

A DEFINITION FOR CROSS-NATIONAL COMPARATIVE PURPOSES

Given that quite specific historical background, it is not surprising that no universally accepted definition of the non-profit sector can be found today. However, significant efforts have been made in the last decade to allow cross-national comparative studies. Increasing reference is especially made to the conceptual framework established by the vast international study which has been co-ordinated by the American Johns Hopkins University since 1990\(^\text{16}\).

For all the researchers involved in this project, the non-profit sector consists of organisations with the following characteristics:
- they are formal, i.e. they have a certain degree of institutionalisation, which generally presupposes legal personality;
- they are private, i.e. distinct from both the State and those organisations issuing directly from the public authorities;
- they are self-governing, in the sense that they must have their own regulations and decision making bodies;
- they cannot distribute profits to either their members, their directors or a set of "owners". This "non-distribution constraint" lies at the heart of all the literature on NPOs;
- they must involve some level of voluntary contribution in time (volunteers) and/or in money (donors), and they must be founded on the free and voluntary affiliation of their members.

\(^{16}\) This project, which still continues, has generated a whole series of publications. See among the first and the latest Salamon and Anheier (1994) and Salamon, Anheier and Associates (1999).
4. THE NON-PROFIT SECTOR AND THE SOCIAL ECONOMY: CONVERGENCES AND DIVERGENCES

Before examining how the concepts of the non-profit sector and the social economy may encapsulate the realities which we focus on, it may be useful to compare briefly these two approaches. At first, the comparison between the above definitions reveals important similarities\(^{17}\): the requirement for a formal structure in the first one echoes the legal-institutional approach of the social economy even though the latter only underlines three types of legal status\(^{18}\). The private nature of entities involved in the NPO concept is implicit in the other approach since the legal status of social economy organisations is generally that of private law bodies; the criterion of self-governance is close to the requirement for independent management in the social economy; finally, the last criterion for NPOs, influenced by the British tradition of the voluntary sector, is satisfied in practice by most organisations in the social economy: the legal statutes of co-operatives, mutual societies and associations generally stipulate that membership should be freely entered into, and the board's members of these organisations usually act on a voluntary basis.

Moreover, it should be stressed that both the non-profit sector and the social economy are defined in terms of their basic structure and organisational rules rather than in terms of their sources of revenue. Although voluntary contributions are given an explicit role in the non-profit organisation, none of the concepts imposes any requirement as to the extent of market income, State subsidies or other resources.

In fact the main points of divergence are found at three levels: the specification of goals, the control over the organisation and the use of profits.

Firstly, the social economy approach clearly points out the major goal of the organisation, although in general terms: to serve members or the community rather than to seek profit. On the contrary, the NPO approach does not say anything explicit as to the goals of the organisation. Of course, the latter are set by the organisation's own governing bodies and a strict constraint on the use of profits normally induces goals which are quite different from those pursued by traditional private firms. However, it does not seem impossible for a NPO to actually seek maximisation of profits or any other goal, provided that profits are not distributed to owners and managers.

Secondly, the social economy has at its heart the requirement of a democratic decision-making process which, in addition to giving weight to actual members' involvement and voice, represents a structural procedure to control the actual pursuit of the organisation's goals. In the NPO approach, such a control also comes from inside the organisation through its governing bodies but without any formal democratic requirement. As to the non-distribution

\(^{17}\) On these similarities, see also Archambault (1996).

\(^{18}\) In practice, the majority of NPOs have a status which ranges them with associations or mutual societies, assuming that a sufficiently broad view of the latter is taken as outlined above.
constraint, it certainly represents an important limiting rule (generally imposed by law) but its accounting and administrative nature keeps it far from being a dynamic control process.  

Thirdly, the non-profit approach prohibits any profit distribution and thus excludes the entire co-operative component of the social economy, since co-operatives generally redistribute a part of their surplus to their members. It also excludes some mutual societies, for instance mutual insurance companies which return part of their surplus to members in the form of reductions in future contributions.

Another way of summing up these differences would be to say that the conceptual basis of the non-profit approach is the non-distribution constraint, which gives it a particular relevance for public benefit associations; whereas the notion of the social economy owes much to the co-operative thought which of course gives clearer space to mutual interest organisations and a central place to democratic control over the organisation's goals and functioning.

Let us stress however that these differences are only neat from a theoretical point of view; they might reveal much less significant when checked by empirical research. Especially, a democratic decision making process should not be taken for granted in all social economy organisations: as in many entities, the actual power often tends to be concentrated within a few hands in spite of democratically held general assemblies; moreover foundations, which are increasingly mentioned as a fourth component of the social economy, generally do not rely on the "one member, one vote" principle in their governing body. The third major conceptual difference, referring to surplus distribution, should not be overestimated either: distribution of some profits is quite frequent in co-operatives and mutuals but it is limited by internal and external regulations.

5. THE LIMITATIONS OF THE TWO CONCEPTS

Of course, many aspects concerning all or part of the third sector have already been the subject of a great variety of studies. But the notions of the non-profit sector and the social economy as such present two major limitations for the purposes of our analysis, i.e. understanding the emergence of social enterprises, their forms, their importance and the impetus behind them.

Firstly, these are both very general concepts covering a wide range of organisations with various roles. They attempt to cover the whole third sector at once, with a single, all-

19 Reviewing Clotfelter's book on *Who Benefits from the Nonprofit Sector?*, Ben-Ner (1994) argues that the US situation requires improving access to the decision-making process of NPOs by consumers, sponsors and donors and allowing them to assert more oversight of management.
20 For a more detailed analysis of the differences, see *inter alia* Mertens (1999), and Defourny, Develtere and Fonteneau (1999).
21 We can also note that the difference between mutual and public benefit organisations decreases when mutual interest organisations have an "open door" principle as to their membership.
encompassing definition. In reaching this synthesis they cannot help relying on the largest common denominator to be found among all the organisations in the third sector. As a consequence, they are necessarily unable to reflect situations which only partly conform to their definitions, features which are not found throughout the sector, or characteristics which only affect some organisations. In the same line, they cannot easily describe entities which are somehow located on the boundaries rather than at the heart of the third sector.

Secondly, the very nature of these two concepts is static rather than dynamic. They produce a snapshot of the many and varied situations to be found in the third sector. But beyond this descriptive capacity, they are not very helpful in capturing the underlying dynamics of all or part of the elements concerned. For instance, none of these two notions refers explicitly to entrepreneurial behaviours or the economic risks induced by the latter. They can certainly account for some developments, for example the growth in employment or the changes of other key parameters during a given period. But these results are generally obtained by taking a snapshot of the non-profit sector or the social economy in a fairly static fashion at different moments.

Of course it is true that much of the literature on the non-profit sector has been written from an explicitly or at least implicitly historical perspective: various analyses have tried to explain the reasons for the existence of the third sector and the conditions in which it emerged22. But in this area for theories regarding the NPO sector, as in various studies of the conditions under which the social economy developed23, it is more often a matter of a posteriori analysis than of studies of developments as they happen.

Finally, as will be shown later, a lot of social enterprises seem to combine elements of co-operatives and non-profit organisations, being like on a bridge between these two types. For this reason, the traditional NPO approach is clearly not the best starting point. On the contrary, the concept of social economy is able to include social enterprises but a step further is needed as none of its three (or four) main components directly corresponds to social enterprises.

None of this means that we will not draw heavily on existing literature in our efforts to improve our understanding of social enterprises. Simply, we do not want to limit ourselves to these notions of the non-profit sector and the social economy in our search of an adequate conceptual framework to approach social enterprises.

6. WHY TO SPEAK OF A NEW SOCIAL ENTREPRENEURSHIP?

Now it is time to describe more precisely the realities we want to study through this whole book. It should therefore appear more clearly that they are more than simply a new

---

22 Among the most traditional surveys of these theories, see for example James and Rose-Ackerman (1986).
development of the non-profit sector or the social economy and that they deserve an analysis which goes beyond these two concepts. In this perspective, we shall proceed in two steps. First we will try to explain why they may be seen as real enterprises and even more particularly as the expression of a new entrepreneurship. In a second phase, we will see to what extent these entities and this entrepreneurial behaviour may be qualified as social.

6.1. ENTREPRENEURSHIP AS AN INNOVATING BEHAVIOUR

Among theories concerning entrepreneurship, the classic work of J. Schumpeter (1934) may still be used as a starting point. In the latter’s opinion, economic development is a process of "carrying out new combinations in the production process" and entrepreneurs are precisely the persons whose role it is to implement these new combinations. Entrepreneurs are not necessarily the owners of a company, but they are responsible for introducing changes in at least one of the following ways: the introduction of a new product or a new quality of product, the introduction of a new production method, the opening of a new market, the acquisition of a new source of raw materials or the reorganisation of a sector of activity.

Following the work carried out by D. Young and a survey of Ch. Badelt (1997), this typology can be adapted to the third sector and it is pertinent to examine, at all levels, to what extent a new entrepreneurship can be identified.

New products or a new quality of products

Numerous analyses of the third sector have already demonstrated that this sector has often developed in response to needs in areas where the traditional private sector or the State were unable to provide a satisfactory solution. There are countless examples of organisations that have invented new types of services to take up the challenges of their age. In this connection, it can be said that today, as yesterday, many of them are born or were born as a result of the dynamics of entrepreneurship. But are the last two decades different in any specific ways? We believe that it is possible to speak of a new entrepreneurship, probably more in Europe than in the United States, because the crisis of our welfare systems (in terms of budget, effectiveness and legitimacy) has resulted in a more autonomous development of third sector initiatives and in the public authorities increasingly looking to private initiatives to provide solutions that they would have implemented themselves if the economic climate had been the same as in the glorious 1945-1975 period. The shrinking of public initiative is undoubtedly the most striking in the United Kingdom, but the same trend is apparent in most Member States of the European Union, albeit to differing degrees.

---

24 Schumpeter (1934), 66.
25 For example, Young (1983, 1986 and 1997).
26 That is indeed one of the major themes of studies devoted to identifying the principal reasons for the existence of the third sector.
These new developments are particularly clear in some fields of activity. In particular activities oriented towards work-integration of unskilled people and the field of personal services have seen multiple innovations in terms of new activities being set up or ensuring that services are better adapted to needs, whether as regards vocational training, providing centres and facilities for young children, services for elderly people or aid for certain categories of disadvantaged persons (abused children, refugees, immigrants, etc.)\(^27\). These are areas to which we will pay special attention.

This entrepreneurship seems all the more innovative as, even within the third sector, it contrasts sharply with the highly bureaucratic and only slightly innovative behaviour of certain traditional organisations (for example, the large welfare organisations in Germany).

New methods of organisation and/or production

It is common to see the third sector organise its activities along different lines from the traditional private and public sectors. But what is most striking in the current generation of social enterprises is the involvement of different, even diverse partners or categories of partners: salaried employees, voluntary workers, users, supporting organisations and local authorities are often partners in the same project, whereas the traditional social economy organisations have generally been set up by more homogeneous social groups\(^28\). If that does not necessarily revolutionise the production process strictly speaking, it often transforms the way in which the activity is organised.

In some cases, such co-operation could even be described as an alliance of interested parties, for example when service providers and users co-operate in the organisation and management of certain neighbourhood services. The setting-up of child care centres run by parents in France or in Sweden is just one of many examples of such co-operation. In other cases, such a "multi-stakeholder" structure may lead social enterprises to compete more effectively with for-profit enterprises on existing markets.

New production factors

One of the principal, long-standing specific characteristics of the third sector is its capacity to mobilise volunteers. In itself, the use of volunteers is not an innovation, but it is so in numerous recent initiatives because voluntary workers make it possible to produce goods or provide services that were not previously available or which were only available with the help of paid workers (in which case it is rare that it is really the same "product").

---

\(^27\) On the subject of integration, see Defourny, Favreau & Laville (1998); on personal services, see Borzaga & Santuari (1998).

\(^28\) This greater homogeneity is reflected in particular in the names of the different types of co-operatives or mutual societies: workers’ co-operatives, agricultural co-operatives, mutual societies for civil servants, craft workers, farm workers and so on.
It is also noteworthy that volunteering has changed in nature over the last few decades: it seems to be not only much less charitable than forty or fifty years ago, but also less "militant" than in the 1960s or the 1970s. Today's voluntary workers are fairly pragmatic and focus more on "productive" objectives and activities that correspond to specific needs. Moreover, it is not unusual to find the entrepreneurial role, in the most commonly used sense (launching an activity), carried out by voluntary workers.

Paid work has also seen various innovations. On the one hand, many third sector organisations have been at the forefront of experiments regarding atypical types of employment: absorption into employment programmes, the development of semi-voluntary formulas or part-time work (with very reduced working hours), etc. On the other hand, it can be said that the traditional employee status is often "enriched" when employees are recognised as members in their own right of the governing bodies of the social enterprise, with the resultant control and decision-making powers that the members enjoy.

Finally, let us note that the mix of volunteers and paid workers may itself be seen as an innovating production factor (which requires specific management skills of human resources) in activities so far carried out exclusively by one of these two categories of workers.

New market relations

In some countries, the supply of certain services had long been restricted to public providers, as in Scandinavian countries, or to informal providers (family, neighbourhood...), as in Italy, Spain, Portugal and Greece. However there existed a demand which remained unsatisfied and third sector initiatives started to invent market relations in these formerly restricted spheres.

In a growing number of countries, the situation changes rapidly: families increasingly externalise services they formerly provided (because of the increasing female participation to the labour market, the isolation of family members and other well-known factors). At the same time, there is a trend towards "contracting out" and to the development of quasi-markets for certain services previously carried out by the public authorities or by non-profit private bodies favoured for a long time by the State. In fact, with a view to reducing costs and ensuring that the services are better adapted to user needs, the public authorities are making increasing use of calls to tender which bring different types of service providers into competition to obtain the public funding linked to the accomplishment of previously defined requirements. It is the conservative governments in the UK that have gone the furthest in this direction, but this switch from "tutelary control" to "competitive control" is more and more commonplace almost everywhere.

29 Once again, care must be taken when interpreting this evolution: part of this innovative behaviour comes from the organisations themselves, but it is also a question of reactions and adaptations to the impetus or constraints inherent in public policies.
Such profound changes in the welfare state inevitably have major ramifications at different levels. For the purposes of this introduction, it is sufficient to emphasise the factors that tend to accentuate the entrepreneurial character of the associations, in the sense that they have an increasing number of points in common with traditional companies and also, in part, in terms of "new combinations" referred to by Schumpeter\(^{30}\):

- existing associations find themselves in competitive situations, including sometimes with traditional companies, when tendering;
- they are consequently obliged to install or reinforce internal management structures very much modelled on that of the commercial sector;
- the ending of certain public monopolies (for example in Sweden) or of the monopolies enjoyed by large welfare organisations (for example in Germany) encourage the emergence of new private initiatives (for-profit or non-profit organisations) structured from the outset to reflect this context;
- last but not least, both for old as well as new associations, the economic risk is greater since their financing henceforward depends on their ability to win these quasi-markets and to satisfy users.

Finally, it goes without saying that this is reinforced by the increased demand among private individuals with adequate financial resources for certain services that become accessible on account of the continued rise in the living standards of an important part of the population. Thus for example, elderly people who receive a decent pension or who have accumulated considerable savings represent new markets, but these are often very competitive.

**New forms of enterprises**

The diverse legal frameworks recently introduced in different national legislations tend to confirm that we are dealing with a somewhat original kind of entrepreneurship. These legal frameworks are intended to be better suited to these types of initiatives than the traditional non-profit or co-operative structures. The Italian Parliament has been a pioneer in this regard, by introducing in 1991 a "social co-operative" status. This new legal form has been very successful from the outset and the astonishing development of the Italian social co-operatives continues to be followed with interest by other national governments.

In 1995, Belgium in turn introduced into its legislation the concept of a company set up for "social purposes", whilst Portugal introduced the status of "social solidarity co-operative" and Greece the status of "social co-operatives with limited liability" respectively in 1998 and 1999. Finally, other countries, in particular France, are considering introducing similar legislation.

---

\(^{30}\) See on this subject Laville and Sainsaulieu (1997).
Generally speaking, these new legal frameworks are designed to encourage the entrepreneurial and commercial dynamics that are an integral part of a social project. They also provide a way of formalising the multi-stakeholder nature of numerous initiatives, by involving the interested parties (paid workers, voluntary workers, users, etc.) in the decision-making process.

However, it must be emphasised that apart from in Italy, the great majority of social enterprises are still using traditional third sector legal forms, even though the latter sometimes may hide significant changes: for instance, workers' co-operatives which open their membership to users tend to become closer to public benefit enterprises.

6.2. ENTERPRISES WHICH MAY BE CALLED "SOCIAL"

If, as seems to be the case, we can identify a new entrepreneurship, it remains to explain why we should describe these enterprises as "social". More precisely, one may wonder if the new economic trends in their behaviour are compatible with explicit social dimensions.

We have considered so far that these initiatives belong to the third sector conceived either in the non-profit sense or as the social economy, and these two concepts provide the necessary elements to catch the social dimensions we now want to identify. Of course the actual presence of these elements in the organisations in question is still to be checked but from a theoretical point of view, the main point here lies in the combination of the innovating economic practices just listed with social dimensions embedded in the traditional conceptualisations of the third sector as presented in the above second and third sections.

To summarise, we may say that the traditional notions of the third sector allow to identify three levels on which the "social" nature of initiatives may be detected.

The purposes of the activity

The concept of the social economy includes as a key criterion "the aim of serving members or the community rather than generating profit" whilst the non-profit sector stresses the impossibility of members or managers receiving a proportion of any surplus. Although the social economy does not exclude the possibility of a limited distribution of profits to members, particularly in co-operatives, the common feature of these two approaches should be stressed here, as it is found in all social enterprises: the requirement (absolute or in part) for the production surplus to be "socialised", that is to be reinvested in the development of the activity or to be used for the benefit of people other than those who control the organisation.

Non-commercial resources

As just stressed, both concepts underline benefits received by the community or by target groups. Such benefits very often justify the payment of subsidies to third sector
organisations. This is also true for most social enterprises which are financed both by resources deriving from the market and by non-commercial resources allocated by the public authorities in the community's name. Usually non-monetary resources are also involved, such as voluntary work and/or donations, these elements being also stressed by the non-profit approach.

This broad mobilisation of resources across society, and the goodwill on which third sector organisations can rely due to their role in providing services, are characteristics and often advantages to which we will come back extensively later in this book, especially when trying to assemble items for a theory of social enterprise.

Particular organisational methods

At the least, the two concepts come together in their insistence that a third sector organisation should be autonomous or even independent, with its own decision-making bodies. The social economy also stresses that there should be a democratic decision-making process. Such features are often found in social enterprises since they are generally founded on a participative dynamic which involves their members (paid workers, volunteers, users and/or other partners representing for instance the local community) in management and controlling bodies and since members' power is generally not proportional to any capital stake they may hold. So we clearly have here characteristics which may be qualified as social.

7. TOWARDS A DEFINITION OF THE SOCIAL ENTERPRISE

We have argued so far that a new phenomenon can be identified within the third sector of modern economies and that it may be seen as a new social entrepreneurship whose features are partly out of reach of traditional non-profit and social economy approaches. Taking this for granted, let us now turn to the way the EMES Network organised its research to catch and analyse this phenomenon. The research's main steps we are now presenting also reflect the structure of the whole book and may be found as well within each of all "country chapters" forming the first major part of this volume.

One of the hypotheses of the EMES project was that social enterprises as new entities and/or as a new dynamics in existing third sector organisations are likely to be found throughout the European Union. It is why the network has been formed and the study undertaken by researchers from all fifteen EU member countries. Of course this meant a high diversity and heterogeneity among the contexts to work on.

In order to build the research on common grounds, the first step of the EMES work was to define a set of common criteria which would be used to identify social enterprises in each of the fifteen Member States. This set of criteria was considered from the outset as a working definition of social enterprise which might need to be revised in the course of the
project, but as it turned out, this initial framework concept proved to be fairly sound and reliable.

This working definition distinguishes, on the one hand, between criteria that are more economic and, on the other hand, indicators that are predominantly social. Let us begin with the economic and entrepreneurial side for which four items have been put forward:

- A continuous activity producing goods and/or selling services

Social enterprises, unlike the traditional non-profit organisations, are normally not engaged in advocacy activities as a major goal or in the redistribution of financial flows (as, for example, grant-giving foundations), but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The provision of such goods or services represents, therefore, the reason, or one of the main reasons, for the existence of social enterprises.

- A high degree of autonomy

Social enterprises are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Accordingly, they may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or other organisations (federations, private firms, etc.) and they have both the right of "voice and exit" (the right to take up their own position as well as to terminate their activity).

- A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

- A minimum amount of paid work

As in the case of most traditional non-profit associations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

To encapsulate the social dimensions of the initiative, five indicators have been selected:

- An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community or a specific group of people. To the same end, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.
- An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a certain need or aim and they must maintain such a dimension in one way or another.

- A decision-making power not based on capital ownership

This generally means the principle of "one member, one vote" or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights. The owners of the capital are obviously important (although all social enterprises do not have equity capital) but the decision-making rights are shared with the other stakeholders.

- A participatory nature, which involves the persons affected by the activity

Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at local level through economic activity.

- Limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations like co-operatives in some countries, which may distribute profits only to a limited extent, thus avoiding a profit-maximising behaviour.

8. A WIDE SPECTRUM OF INITIATIVES ACROSS COUNTRIES

With such a working definition, it was clear from the beginning that the fulfilment of these criteria could vary greatly and that social enterprises would appear in each country more as a wide spectrum rather than as a clear-cut set of well-identified organisations. In the same line, it seemed quite important to link the analysis of social enterprises with the other parts of the third sector and with the whole socio-economic context of each country (in some countries even the notion of a third sector remains unclear).

Against such a background, it was then feasible to identify and list those types of initiatives which, to varying degrees, may be named "social enterprises" according to the working definition just presented. Although the term itself may not be used in some countries, several categories of organisations, be they quite small or large in numbers, clearly appeared to correspond to that new social entrepreneurship we were interested in.

In a second phase of the research, it was agreed on that one or two main types of social enterprise or fields of activity would be analysed in-depth in each country. As a result of this selective approach, all researchers focused on a particular set of social enterprises which seemed particularly interesting in one way or another: the process through which they were
created, the mix of resources on which they rely, the kind of services they provide, the category of users to whom they propose these services, their innovative features to fight social exclusion, and so on. The number of initiatives was seldom the major criteria in that selection although it was also taken into account.

Finally it appeared that social enterprises chosen in most countries operate in two broad major spheres of activity: on the one hand, the training and reintegration into employment of persons excluded from the labour market and, on the other hand, the rapidly developing sector of personal services. However, this sectoral classification should only be seen as a way to have a first quick and superficial idea of the fields which are covered in the country chapters. In several cases social enterprises combine both fields or go much beyond them. More importantly, many other classifications would prove to be more relevant depending on the aspects to be captured: the role of the leadership, the extent of volunteering or paid labour, the relations to the market or the support of the local community and the public authorities.

In order to visualise a bit more those groups of social enterprises which are analysed in the fifteen subsequent chapters, let us just have a brief look at them in each country without trying to identify all their main features.

In Austria, the activities of "child-minders" - originally provided on a voluntary and unpaid basis - have witnessed a remarkable professionalisation process; of particular interest in this field is the development of "children's groups", which are small groups of about twelve children with two nurses or specially trained child-minders that are supported by the self-organised involvement of parents. Childcare centres involving parental participation are also quite appealing in France, where other social enterprises develop new formula in home help services for elderly or dependent persons. More generally, as it is also the case in Belgium, social enterprises in France seem to be particularly innovating in the whole sphere of what is increasingly called "proximity services", the proximity being objective (as for services provided at the local level) or subjective (when the proximity mainly refers to the relational dimension of the services provided). Indeed they often mobilise additional resources that do not emerge from the market nor from the State and they go beyond the functional logic of the latter. This also appears clearly with thousands of Italian social co-operatives which provide social services, whether residential or not, especially in favour of disabled people, elderly, drug addicts and young people with family difficulties. The last country for which the emphasis is mainly put on welfare services in this book is the United Kingdom: home care co-operatives emerge there as an answer to market or State failures within a particular context of fast developing quasi-markets and competitive contracting practices with the local public authorities.
The frontier between provision of welfare services and activities oriented towards reintegration in employment of persons excluded from the labour market is not at all a neat one: in several countries social work or services to people with mental illness, functional impairments or other difficulties have evolved to more productive activities which happened to serve as a basis for the starting up of social enterprises offering temporary or even stable jobs. This hybrid nature is well illustrated by the case of Denmark where social work, community development and productive activities are mixed in various types of initiatives like production communes, social residences and folk high schools, the two latter being known for their ability to take care of young people with social problems. As to Sweden, it has witnessed the development of social worker co-operatives for formerly mental patients and for handicapped people since the State embarked on a reform including the phasing out of the big mental health institutions in the 1980s. Although these organisations do not offer standard jobs, they show an entrepreneurial spirit supported by local co-operative development agencies. At another extreme point of the EU and in a quite different context, Portuguese CERCIs, i.e. co-operatives for education and rehabilitation of mentally handicapped children, started as special education schools and evolved with an increasing productive and job creation orientation as their users got older.

In many cases, there is no clear-cut boundary either between social enterprises seeking work-integration of people with mental or physical disabilities and those oriented towards persons with a "social handicap" (drug addiction, prison experience, very low level of qualification...). As in Italy, social enterprises of both types, sometimes mixing target groups, may be found in Luxembourg, Greece as well as in Spain across several fields of activity, waste collection and recycling activities being particularly important in this last country.

Many social enterprises offer stable jobs for excluded persons or represent the only work perspective for some specific target groups. However, many others must be analysed as part of "transitional labour markets", that is as a step on the way back to the regular labour market and to "normal" employment. Various social employment initiatives in Germany, particularly those specifically named "social enterprises" in three Länder, Finnish labour co-operatives which aim at employing their members by subcontracting their labour to other employers as well as Dutch neighbourhood development schemes which try to provide services and employment opportunities to inhabitants in old and poor urban areas must all be seen as transitional institutions with time-limited support from the public authorities.

Even when they seem to have rather narrow and clearly defined objectives, for instance providing on the job training or work experience to help people come back to regular employment, social enterprises generally combine these aims with other dimensions and challenges. Among those which were not mentioned in the above examples, one should stress social enterprises' participation to local development dynamics in disadvantaged areas. This is particularly true with "ABS" organisations in the new Eastern German Länder, the Greek
agro-tourist co-operatives operated by women in remote rural areas, as well as the Dutch neighbourhood development schemes in urban areas to be rehabilitated. Sometimes concerns for local development come first, as in Ireland, where a wide range of initiatives in proximity services and community businesses would not have emerged without mobilisation of the local population and the building of local partnerships.

Finally let us stress the fact that all these examples should not be considered as forming the whole landscape of social enterprises in the European Union. They are simply spots to which attention will be drawn to answer the main questions of the EMES research programme.

9. THREE KEY QUESTIONS

Social enterprises in the fifteen countries have been analysed on the basis of a common grid which can in fact be summed up in three key questions. These questions were addressed both at the level of each individual country and in an international comparative perspective.

Question 1: What are the actual specific characteristics of social enterprises?

In particular we have tried to ascertain the context favouring the emergence of social enterprises, the support they have received and continue to receive, how they have evolved in terms of objectives and available resources, as well as the relations with users and the public authorities. The way social enterprises are structured internally, their legal form and the profile of their workers have also been examined, all this in order to catch their very deep identity.

Question 2: What do social enterprises contribute?

Then we have examined the question of whether social enterprises have particular strong points compared with other types of private or public organisations, notably as regards the mobilisation of resources which might be out of reach for others.

We have also endeavoured to ascertain whether they succeed in satisfying certain needs which, without them, would not be met. Along the same lines, the results that they achieve have been assessed, notably their contribution to the fight against unemployment and social exclusion. But we also wonder whether or not they are handicapped by certain intrinsic weaknesses, possibly at the level of their financial resources or their organisational efficiency.

Question 3: What are the future prospects for social enterprises?

Do social enterprises provide purely temporary solutions or can they aspire to playing a medium or long term role? What is the position regarding their long term role if the public authorities decide to take charge of the social problems in the areas where the social enterprises are involved? On the contrary, to what extent can they inter-react with the public authorities? Will their development be handicapped if the increasing financial resources of
the private individuals concerned by their services attract traditional private sector firms? Do the current prospects of steady economic growth in Europe reduce the need for social enterprises or their development opportunities? It is on the basis of such questions that we have tried to draw up a picture of the most likely scenarios and the conditions favourable to a possible future development of social enterprises in their respective sectors.

10. TOWARDS A THEORY OF SOCIAL ENTERPRISE

These three key questions not only served as a basis for the description, analysis and comparison of social enterprises in the different countries. All materials gathered from an empirical point of view also provided the basis for conceptual constructions and theoretical proposals which were discussed at each joint work session of the research process.

Beyond the definition of social enterprise already presented, the theoretical challenges the EMES network was facing may be illustrated in a simple way by graph 1 hereafter. The latter particularly shows how traditional visions of the third sector may be used to somehow locate social enterprises and how it was necessary to go a step further.

Insert Graph 1

The first major point of reference is provided by the co-operative world, a distinct component of the social economy, which has its own research traditions and schools of thought. In several countries indeed, social enterprises are registered as co-operatives as it is shown by examples listed hereabove. Moreover, workers' co-ops seem closer to social enterprises than traditional (often rather large) users' co-ops as it clearly stems from the cases of Finnish labour co-ops, Greek agro-tourist co-ops or British home care co-ops. However, the social enterprise often combines different types of stakeholders in its membership and is more oriented than classical workers' co-ops to the benefit of the whole community.

The other major reference is the world of non-profit organisations, in which production-oriented entities are certainly closer to social enterprises than are advocacy organisations and grant-making foundations. In several European countries social enterprises do actually have a legal status of a non-profit organisation or association. However, as was shown in the fourth and fifth sections of this general introduction, the NPO literature is not able to embrace the whole reality of the social enterprise. This remains true in spite of new laws which have recently been passed to promote the development of firms with social aims in Italy, Portugal, Greece and Belgium.

The intersection of both circles in the graph represents precisely those trends which drive each circle closer to the other as the nature of social enterprise somehow relies in the combination of characteristics from both types of organisation. But it should not be
interpreted in a static way as only some social enterprises actually are simultaneously real co-operatives and pure non-profits. By the way, the dotted lines suggest another perspective which corresponds to what has been explained from the beginning : part of the phenomenon of social enterprises is clearly made of newly created organisations but it also represents a dynamics which is transforming existing third sector organisations.

Well beyond that simple graph, the attempts made to build a specific theory of social enterprise are presented in the second major part of this volume. The first contribution, by Bacchigia and Borzaga, uses the tools offered by the institutional theory of organisations to highlight the innovative nature of social enterprises. The criteria forming the EMES definition of social enterprise are interpreted as shaping an original incentive system within these organisations. That incentive structure is based on the one hand on a mix of monetary and non-monetary elements where the latter tend to assume more importance than the former and, on the other hand, on the necessity to combine the possibly conflicting objectives of different categories of stakeholders. The authors also examine to what extent these specificities may contribute to explaining the plurality of social enterprises in the European context as well as their main strengths and weaknesses.

In the second theoretical chapter, Evers proposes a more socio-political analysis of the multiple goal and resource structure of social enterprises. It especially shows that such a structure may be better understood by bringing in the notion of "social capital", although this concept is widely used today with quite diverse meanings. The author focuses on what might also be called "civic capital" in order to capture those non-market and non-State resources which are of high importance for social enterprises, like the readiness for dialogue, cooperation and civic commitment. He also argues that taking into account social capital-building as one of third sector organisations' goals helps to give more visibility to a number of their civic concerns and effects which correspond to a broad notion of the public good, including democratic dimensions. In this perspective, social capital-building can become an explicit purpose of organisations like social enterprises. Finally links between social capital and public policies are underlined and it is stressed that policy-making and programs should probably acknowledge as well as reward the mobilisation and reproduction of social capital by social enterprises instead of taking it for granted.

The third contribution, by Laville and Nyssens, is the broadest one as it attempts to combine economic, social and political dimensions within a single tentative integrated theory of an "ideal-type" social enterprise. It first examines relations between specific aims of social enterprises and their ownership structure : the purpose of serving the community is defined as the explicit enhancement of collective externalities, i.e. collective benefits associated with the main production activity ; such a goal, however, does not seem to require any single model of ownership structure. The authors also extend the analysis of social capital, showing that such a key resource may reduce transaction costs and production costs as well as generate socio-
political effects. Then, after focusing on internal relations, they turn to the types of economic exchanges between social enterprises and their environment: building on Polanyi's distinction between the economic principles of market exchange, redistribution and reciprocity, they show how the social enterprise mixes these modes of exchange in different socio-political contexts.

Finally, in the concluding part of the book, we try to summarise the main empirical and theoretical results of this whole joint research. We first synthesise the reasons which explain the emergence of social enterprises in all EU countries as well as the great diversity of these initiatives. It is argued that country variations may particularly be explained by referring to the level of economic and social development, the characteristics of welfare systems, the role of the traditional third sector and the existence of specific legal frameworks. We also survey the main contributions of social enterprises as to the transformation of existing welfare systems, employment creation, local development, building of social capital and social cohesion and new dynamics within the third sector. These contributions however cannot hide internal weaknesses of this very special type of organisation which may reveal quite fragile in some contexts. Moreover, external barriers often hinder their development and it is why this book ends by looking at policies which might better acknowledge their specificities and their potential in the perspective of strengthening instead of weakening the fundamental pluralism of European economic systems.

REFERENCES


CIRIEC (2000), *The Enterprises and Organizations of the Third System*, International Center of Research and Information on the Public and Cooperative Economy, Liège


EMES (1999), The Emergence of Social enterprises in Europe. A Short Overview, EMES European Network, Brussels.


