



7th EMES International Research Conference on Social Enterprise

EMES events

Sustainable development through social
enterprise, cooperative and voluntary action
Sheffield Hallam University, 24-27 June 2019

ESCP-7EMES-10

What assumptions behind social enterprise definitions and discourses?

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Funded by the Horizon 2020 Framework
Programme of the European Union

This publication is based upon work from COST Action EMPOWER-SE,
supported by COST (European Cooperation in Science and Technology).

What assumptions behind social enterprise definitions and discourses?

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Contribution to panel "Challenging false distinctions and erroneous assumptions in the SE field [COST session]" at 7th EMES International Research Conference "Sustainable development through social enterprise, co-operative and voluntary action", Sheffield Hallam University, U.K., 24-27 June 2019.

The concept of social enterprise (SE) was introduced in several post-socialist Central and Eastern European (CEE) countries after their entry into the EU, together with EU grant funding packages in support of SE start-ups. After a decade or more of this funding, several of these countries can boast a hundred or more SEs that have come into existence due to EU funding, also small teams of practitioners, academics and government officials conversant with the term, and, in most cases, a discourse equating social enterprise with enterprises primarily aimed at work integration of disadvantaged people. These SE have social aims and limited profit distribution, and are expected to have some kind of democratic governance. However, they are also expected to operate on the market and within a monetized economy, producing and selling goods and services, assuming economic risk, and aiming towards paid employment.

This understanding rhymes well with mainstream academic definitions of SE, such as that of the European commission¹, and with early academic definitions of social enterprise (Borzaga and Defourny 2001). The concept of SE was soon embraced by institutions such as the UNDP and OECD. These institutions conceptualise SE similarly. One of the first publications on social enterprise, published by the UNDP and focused on Central and Eastern Europe was titled: Social enterprise: A new model for poverty reduction and employment generation. (Borzaga et al. 2008).

In this contribution, my argument is that the prevailing definitions and discourses of social enterprise in these influential texts spring from certain world-views, or ontologies, which are often undisclosed, or even not consciously reflected, by the authors. These ontologies influence discourses like the hidden groundwater that accompanies a river, in the riverbed. It is not seen, but it influences the water level and quality nevertheless.

In the mainstream definitions, such as the EC definition, SEs are understood as filling gaps (in terms of needs satisfaction) which the market and the state have been unable to fill. While SE are there to smooth the corners and to help include excluded groups in the labour market, the prevailing economic system is implied to be essentially sound, and in no great need of change.

¹ http://ec.europa.eu/growth/sectors/social-economy/enterprises_en

Such a view basically springs from an ontology grounded in neoclassical economic thinking, which emerged in Europe in the 18th century. It is a narrative of an ever-expanding economy, where firms compete on an abstract market, maximize financial profit, and, via this market, provide goods and services to individual consumers who, in turn, maximize their utility. The EC aims to propell social enterprises into just such a market, and provide a "level playing field" for them to play on - and perhaps succeed, if they are "effective" and "competitive" enough.

One problem with this ontology, or view of the world as it is and should be, is that it is *performative*. This means that it changes reality in its image. In part, the economic world does function like this due to this vision of the economic world which 18th and 19th century Europe has given us. But, in many ways, as I briefly summarise below, it is not so much a dream come true as a nightmare come true.

Another problem with such an ontology is that it *abstracts from some important caveats*.

One caveat is that, to succeed on such a playing field, an enterprise must usually externalise its costs onto some other, weaker actors: This can be the world of Nature, via extraction of resources, pollution, waste, and global warming.

Or, to be successful, effective and competitive, an enterprise needs to externalise its costs in terms of labour, outsourcing its manufacturing or other processes abroad, where wages are lower and labour rights are often curtailed.

So - is it realistic for a SE to compete in such an economy, if it is expected to produce positive rather than negative externalities, to have general interest aims rather than just aiming for profit?

And is it a good idea in any case to propell SEs into such a world, rather than trying to change an economic system which, in addition, has some systemic flaws, including a systemic tendency to raise income inequalities (Piketty, 2014, see also Oxfam inequality reports, online), and a systemic tendency to destroy the natural world we all depend on? (IPCC report, 2018).

One way out of this quandary is to reframe our ontology, in other words to critically appraise and discard the neoclassical economic model (and incidentally stop being the intellectual "slaves of some dead economists", as Keynes put it.) And, where it has percolated into reality, to look for ways of changing this reality. One path towards this change might be reframing SE as building "systemic alternatives to the mainstream economy" (Amin et al. 2002:125), rather than mere stop-gaps.

I would now like to get back to the mainstream definition of SE and to suggest some changes based on this idea of SEs as a *systemic alternative to an increasingly dysfunctional economic system*.

Most definitions, including the EC one, mentioned above, place emphasis on a/other-than-profit goals, b/limited distribution of profits, and c/ democratic governance and stakeholder inclusion. Here, drawing on our previous work (Johanisova and Fraňková 2013, 2017), I would like to suggest two more characteristics a social enterprise should have, which in some ways go against the mainstream definitions:

d/ economiclocalisation/rootedness in place

The EC page on SE explicitly speaks about an abstract single market, and indicates its willingness to help European SEs to become "world leading companies". However, the idea of a universal market leads to the need for the extreme competition and externalization discussed above. Many authors who have pointed to the weaknesses of the current economic system (e.g. Douthwaite 1996) see the support for local markets, and the embeddedness of SEs and its economic activities in a concrete place, as crucial not only for rebuilding communities and generating local income, but also for mitigating environmental impacts and enhancing local resilience (Fraňková and Johanisová, 2012). I suggest therefore that definitions of SE include this important dimension. This would lead to more attention and support for SEs that prioritise local consumption and production patterns. This can be articulated as part of the goal of a SE (e.g. community supported-agriculture schemes), or it can be inherent in the structure (mixed farm) or size of a SE (a small shop or restaurant is more able to source locally) (Johanisova and Fraňková 2013).

d/ non-market production, exchange or provisioning patterns

In various mainstream definitions, SEs are expected to operate on the market and within a monetized economy, producing and selling goods and services, assuming economic risk, and aiming towards paid employment.

There is a contradiction here, because by their very focus on other-than-profit-goals, and limits on profit distribution, SEs already step out of the market logic. Yet, in other respects they are expected to conform to market rules, function in a monetized economy, etc. We have already mentioned the tension between the ethical goals of a SE and the pressure to compete on open markets with entities that have no such handicap. If we reframe SE as vehicles towards a transformation of the economy as a whole, we may change the discourse and, rather than look for ways of inserting SEs into the market, SE theory can focus on ways in which SEs can build parallel provisioning structures, source non-market capitals as a survival strategy (Johanisova et al. 2013) or co-operate with other similar entities to build their own networks. Another advantage of changing the definition of SE to highlight non-market, and also non-monetized economic activities would be the acknowledgement of entities which do not fit the official definitions, because they do not function as part of the market, do not aim for paid employment, etc. These could be, for example, the GAZ networks in North Italy, which supply their families by direct communication with

producers on a volunteer basis. Or they could be networks of subsistence producers, as in the case of the Nayakrishi Andolon movement in Bangladesh, which has espoused organic subsistence agriculture and practices seed saving, thereby conserving a crucial natural capital.

Finally, I would like to emphasise again that ontologies, discourses and the definitions that grow from them are important, because they are performative. I.e. they influence reality, for example, by defining what can still be seen as a SE and what no longer qualifies (for funding, for official recognition, for promotion...). Therefore, if we are serious about transforming the economic system, it is worthwhile first to examine our own assumptions and then to shape our definitions of SE accordingly.

Critical discussions of economic ontologies behind definitions are very much needed especially in CEE countries, where they might help broaden SE conceptualizations and tailor them more to local (pre-socialist) social economy traditions and to current grassroots initiatives.

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