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### Social enterprises: A new organization for development

What are they?

What objectives do they pursue?

How do they hold up and who do  
they relate to?"

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# **Social enterprises: A new organization for development**

## **What are they? How do they work? What objectives do they pursue? How do they hold up and who do they relate to?**

### **Abstract**

The main objective is to analyze the institutional identity of Peruvian social enterprises, taking into account their motivations and objectives. In addition, it seeks to ascertain the characteristics of the target groups they prioritize in their institutional purposes, and to identify the social relationships they build with these groups. The qualitative methodology employed the case study model. Using the snowball technique, eleven organizations participated in the study. Primary (in-depth interviews) and secondary (cabinet analysis) sources were used. The results demonstrate that the institutional identity of these social enterprises responds to social, environmental and economic motivations. The target population may be either direct, assuming the role of customers, collaborators, beneficiaries, and suppliers; and/or indirect, assuming the role of customers, volunteers, and partners. These last two roles were found to be the most important. Finally, the study observed that the economic sustainability of social enterprises is still under construction.

**Keywords:** Social enterprise. Social innovation. Social entrepreneurship. Companies with a social responsibility approach. NGO.

### **1. Introduction**

This article aims to understand the institutional identity of social enterprises and the role they play in society, identifying the distinguishing characteristics that set them apart from and complement the various other predecessor organizations working in the field of development, equity, and inclusion: government entities, NGOs, foundations, and companies that incorporate the discourse of corporate social responsibility. In addition, it seeks to delve into the characteristics of the direct and indirect target groups prioritized by social enterprises and the types of social relationships that are established with these populations.

This work is part of a larger research project that explores the nature of this new organization, which has gained greater prominence, particularly in the present century, both in Peru and Latin America. In this sense, it aims to contribute to the debate on what social enterprises are and do, highlighting their distinctive organizational identity and avoiding both a classification based on what they are "not"—as is the case with NGOs—as well as conclusions regarding the "hybridity" of their organic and constitutive form.

The main challenge in this study is to adopt an affirmative perspective of social enterprises. The article begins by explaining the social, economic, and political context that creates the conditions for the emergence of social enterprises. It then presents the methodology used to address the object of study, in which eleven social enterprises participated through the "snowball sampling" technique. Here, the criteria, variables, and indicators used for the selection of the cases that were part of the sample are detailed.

After explaining the proposed approach, the article theoretically analyzes the origins and identity of social enterprises, aiming to clarify their singularities vis-a-vis other organizations with which they may share certain common objectives.

Finally, the analysis and interpretation of empirical information based on the case studies are organized in accordance with the research questions that guide this study.

The main interest of this study is in understanding what social enterprises are, the role they play, and how this type of organization is justified and socially legitimized in the field of development and the market. The goal is to analyze the new contributions they make, what sets them apart, how they complement other "sister" organizations (NGOs, foundations, international cooperation, etc.) that pursue similar objectives, how they seek social recognition from the various public and private actors with which they interact, compete, cooperate, and, in turn, how they achieve social acceptance from their target groups.

## **2. Theoretical Framework**

### **2.1 A New organization for development through competitiveness and wealth generation**

The 21st century emerged with new challenges in the field of development. These challenges have been expressed through various theoretical approaches that seek to understand and analyze: i) complex social problems that cannot be adequately explained by a single discipline alone, ii) the implementation of guiding and innovative strategies to increase the effectiveness of interventions, and iii) the rational use of resources to achieve these aspirations. Alongside the traditional public and private actors who have traditionally taken on these challenges, another actor has emerged in the contemporary organizational landscape: the social enterprise.

In recent years, it has become evident that the concern for development is not exclusively focused on the classic capital-labor contradiction and its effects on the configuration of social classes and inequality. Issues related to inclusion and equity have become more complex and manifest in new dimensions, such as the gender perspective, indigenous, Amazonian, and Afro-descendant rights, generational dynamics, the environment, sexual orientation, disability, and childhood, among others. This new context has resulted in a series of changes in terms of political discourse, influence on public policies, and efforts to build a base of common consensus with a view to implementing proposals for social reform or transformation among actors with different ideological positions and resources to combat poverty, vulnerability, and exclusion at various levels and scopes.

In Latin American societies such as Peru, with weak institutions and limited social capital, transitioning from a logic of confrontation and mistrust among the actors involved to one of collaboration and consensus-building is one of the greatest challenges of the present century so far, following the lessons learned in development matters from the last century. It is in this process that the figure of the 2006 Nobel Peace Prize laureate, Muhammad Yunus, emerged. His initiative of a bank for the poor (Grameen Bank) constituted a new form of intervention in which the social enterprise was its organizational benchmark. The term "social enterprise" was coined by Yunus himself to identify and distinguish these organizations from others that were working towards similar objectives associated with fighting poverty (Yunus, 2008).

The Nobel laureate believed that this fight should be pursued in a sustainable manner, surpassing the typical relationships of tutelage, dependence, and assistance that were often reproduced between government-level development organizations, NGOs, foundations (including various Churches), companies with traditional approaches to corporate social responsibility, and the target population (or recipients) of services and projects. To achieve this, social enterprises would have to rely on environmentally friendly and socially responsible productive proposals that create employment and develop capacities, reinvesting surpluses in strengthening the alternatives that they offer to those most in need.

One can identify two fundamental pillars that structure the actions of social enterprises: (i) the innovative intervention strategies they employ to address specific exclusion-related issues, (ii) their pursuit of self-sustainability based on market rules. Social enterprises have gradually gained recognition at the national and international levels as a new social actor. Although parts of the literature tend to confuse or conflate them with conventional companies that seek approval and legitimacy through social responsibility and shared value approaches (Inter-American Development Bank & Social Enterprise Knowledge Network, 2006, Porter & Kramer, 2006), social enterprises strive to establish their own distinctive identities and roles as a sector pursuing inclusion and sustainable development. They may coincide with other actors pursuing the same goals, but the means or strategies will differ.

From these socio-economic and political backgrounds, social enterprises emerged as a reaction and alternative to dependency on NGOs and international cooperation, drawing lessons from their goals of social transformation albeit with less emphasis on critical and political issues related to the capitalist economic model. Social enterprises retain the objective of economic profitability found in conventional businesses, utilizing and learning from their innovations in productivity and quality standards while taking into account market dynamics and competitiveness. But they differ by transforming these approaches into tools for social inclusion and institutional self-sustainability.

## **2.2 Origins and context of social enterprises**

The emergence of these organizations is partly, on the one hand, a response to market failures and the inaction, inefficiency, and ineffectiveness of the government apparatus in countering the negative externalities of capitalist production and commercialization systems in the social and environmental spheres, especially in underdeveloped countries.

Organized groups, academics, and opinion leaders directly or indirectly involved in the development of social market economies and corporate social responsibility—whether from the corporate, academic, or civil society spheres—form the mobilizing core of these entrepreneurship initiatives. They do so based primarily on information, knowledge, and technological innovations in goods and services that address the challenges of inclusion, socio-economic equity, and environmental sustainability for present and future generations.

In other words, the creation of socially oriented businesses seeks to satisfy the needs of an excluded population that has not yet been formally addressed or recognized by the government in its public policies or the corporate sector in its investments (Alvord et al., 2004). However, social enterprises are a multidimensional phenomenon and operate in different ways depending on the territories in which they emerge.

The ongoing growth and consolidation of these organizations at the national and international levels is generally conditioned by the leadership of individuals or organizations in each country, their national and local cultures, and the expectations of target groups regarding the expected impacts on their social environment. Based on these desired impacts, various opportunities can be identified for the creation of new inclusive and environmentally friendly goods and services (Shane & Venkataraman, 2000).

It is evident that this growth process is also shaped by the level of economic and institutional development of the countries where social enterprises are created, as well as their social, political, and cultural contexts (Atamer & Torres, 2008). Therefore, the objectives and impacts of these enterprises differ qualitatively and quantitatively in developing countries compared to developed or industrialized countries. For developing countries, depending on their institutional framework, the economic impact is also influenced by demographic expansion and particularly by rural-to-urban migration. This is because the level of investment and market development (employment, insurance, credit, etc.) is insufficient in these economies, which translates into a lack of employment opportunities and minimal legal conditions for the growing population. This generates a greater number of people in poverty and social inequality.

These economic trends are escalating as the planet is affected by global warming, deforestation, and pollution. That is, the continuation of the same productive model and its indiscriminate pursuit of economic growth, without effective state control or regulation towards a circular and green economy, could cause considerable damage to the ecosystem (Hobsbawm, 1998). The alternatives to the crisis in the productive model in the short and medium term require proposals focused on sustainable development: in other words, a socially and economically humane model that is environmentally conscious and more equitable. Given this paradigm, substantial changes that tackle the current rent-seeking economic system (which only emphasizes economic gains) (Resico, 2019) and mercantilism (where powerful groups ally with governments to defend their economic interests) (Rojas, 2007) must be found and promoted.

### ***2.3. The notion of social enterprise***

The notion of entrepreneurship and innovation coined by the Austro-American economist Joseph Alois Schumpeter (1997) gave us a better understanding of changes in productivity within capitalist enterprises. These changes are manifested in new production methods, opening up to new markets, and improving technological processes within the business organization (Defourny, 2001).

These new combinations implemented by entrepreneurs translate into growth opportunities for businesses. It is these Schumpeterian theoretical premises that have inspired Yunus and, subsequently, the international movement promoting entrepreneurship to incorporate the notion of social enterprise as an identity benchmark for organizations, with the purpose of promoting well-being for socially excluded groups based on the use of the market as a key mechanism to this end.

The strategies implemented by the social enterprises take into account the demand (shaping it or responding to its needs) to combat poverty by introducing services and products within new or alternative realms of exchange (solidarity-based or conventional), strengthening the capacities and assets of sectors that are invisibilized or marginalized within the formal economic system.

Incorporating the concepts of entrepreneur and social entrepreneurship is essential for analysis, as both concepts are strongly linked and therefore part of the same path: there is no entrepreneurship without entrepreneur(s). The entrepreneur or entrepreneurs are the key individuals who contribute their knowledge, stake their capital, and invest their time to achieve social changes as alternatives to conventional forms of support for the poor (assistance, subsidies, guardianship).

It is necessary to recognize these concepts theoretically and subsequently explain the role they play and have been playing in the development and institutionalization of this type of social intervention, similar to the status of a traditional entrepreneur but in equal terms of profitability, social responsibility, and cost-benefit rationality (Roger & Osberg, 2021).

In general terms, social entrepreneurship can be understood as the initiation of a business that, through its own or external innovations and by seizing opportunities within this context, develops and implements a social mission in which its activities and objectives are imbued with the urgent need to create value for the survival strategies of excluded or vulnerable populations. Thus, the social entrepreneur is an individual or group of individuals who act as agents of change within their environment, using their entrepreneurial skills to create social value (Brouard & Larivet, 2010). And in turn, the social enterprise is presented as the materialization or implementation of a social entrepreneurship initiative, formulated by an entrepreneur through their own resources, income sources drawn from the enterprise itself, or alternative economic resources from the market (Verstraete & Fayolle, 2005; Ashoka, n.d.).

#### ***2.4. An attempt at defining social enterprises***

In the Latin American context of precarious democracy, imperfect (largely informal) market economy, and social inequality, social enterprises have emerged to challenge traditional forms of intervention in favor of the poor and excluded by various public social programs, foundations, churches, and NGOs (Bobadilla, 2022).

Social enterprises are organizations motivated to support and contribute to social and environmental development by empowering sectors living in poverty or exclusion. The profitability they generate through their social innovation propositions in the market is not the primary goal of their work (unlike conventional businesses), but rather a fundamental means.

Therefore, if profitability is at stake, it should not compromise the social purposes that give meaning, purpose, and identity to the institutional existence of social enterprises; to lose sight of this ethical outlook and the motives behind their foundation would be to undermine their mission. One of the most important challenges for these organizations is to ensure that individuals or groups living in conditions of inequity or social exclusion become partners in these entrepreneurial models and real protagonists of their own development (according to contracts or agreements), with the expectation that this cooperation will benefit everyone involved based on the levels of responsibility and investment assumed.

To this end, it is crucial that intervention approaches based on social innovation are expressed through a management model and business strategy that partners with the direct target population through specific roles in the production process, service delivery, and/or marketing mechanisms. The aim is for the organizational design of the social enterprise and its market intervention strategy to be sustainable—not only for those

staking their capital and the direct target population but also, and especially, for the innovative proposition.

This can be achieved through continuous improvement and effective access to the market. In this regard, the goal for social enterprises should be to reduce possible financial dependence on international cooperation, the government, or any form of donation or funding provided by external organizations, and instead transition to a relationship of interdependence and cooperation that benefits all participating actors based on rules, roles, and agreed-upon objectives in governance spaces or any other type of institutional arrangement.

### **3. Methodology**

This study adopts a qualitative approach through a case study model. In so doing, based on the opinions, experiences, and institutional trajectories of the representatives of the social enterprises interviewed, it was possible to discern various similarities and differences in the variables identified in the study.

The object of study is the social enterprise, understood as a systemic whole open to contingencies and tensions but structured in terms of the relationships it forms according to rational purposes. Based on these premises, the first step was to identify a set of organizations with the characteristics and the profile recognized by the literature, in their most general aspects, as social enterprises. Thus, the chosen organizations align with the ideal type described and interpreted in the formulated theoretical model, rather than simply sharing certain similarities in terms of means and goals with entities whose purposes are social and environmental change. On this basis, eleven organizations agreed to participate in the study using the "snowball sampling" technique, taking into account the following organizational profile:

- The organization must have a product, good, or service that is considered innovative in the field of combating poverty, environmental damage, exclusion, and inequity.
- The organization's main strategy should use market rules as a tool for its social purposes, enabling sustainable outcomes for both the affected community and itself.
- The organization should have been operational for at least three years, attesting to sufficient experience in mobilizing resources and efforts to maintain a presence in the social development market.
- The organization should be formally registered and will originally have been constituted as a for-profit company (a corporation, closed corporation, limited liability company, or a similar legal structure). This is because the current law regulating social enterprises (Law 31072; "Law on Companies for the Benefit and Collective Interest") was only enacted in November 2020. It should be noted that as of the fieldwork and interview process, none of the organizations had changed their registration status, either due to a lack of information or a lack of interest in acceding to the new law.
- Organizations that identify as social enterprises but are registered as nonprofit civil associations due to receipt of funds from international cooperation were still eligible for inclusion in the study if their social innovation proposal is market-oriented or if they offer a parallel service for which there is demand and which provides economic sustainability.

- The organization's initial financing as a social enterprise should come from the owner's /owners' equity, investors, or credit. Organizations that have accessed funds through public or private competitions are also included.

The social enterprises that agreed to participate in the interview are as follows:

**Table 1: Interviewed Organizations**

Organizations	
• CONEXIÓN ADULTO MAYOR	• LABORATORIA
• EMPANACOMBI	• PIMAPALKA
• ENSEÑA PERU	• SINBA
• INKAMOSS	• SFT
• KANTAYA	• SANIMA (antes X-RUNNER)
• KHANA	

Source: compiled by autor

In-depth interviews were used to collect information from the directors or owners of the social enterprises. This instrument was structured based on the object of study, the theoretical framework, and a set of variables that allowed the development of the questions, which were based on the following operational matrix:

**Table 2: Conceptualization Matrix**

Research Questions	Variables	Indicators	Findings Structure
<u>Main Research Question</u> How was the identity of social enterprises established?	Motivation and Objectives pursued	Length of existence	Social enterprises' construction of identity
		Institutional purposes	
		Motives for creation of enterprise	
		Differences and similarities with conventional businesses and NGOs	
		Discourses guiding actions	
<u>Specific Research Questions</u> 1. What target group characteristics do social enterprises prioritize as part of their institutional mission? 2. What kind of social relationships do they build with this population?	Target group and relationship	Target population	Partners, allies, or customers: relationship with target group
		Type of relationships	
		Population that pays or does not pay for services (economic sustainability)	

Source: compiled by autor



To complement and enrich the primary sources, information was gathered from secondary sources—primarily Peruvian and international academic literature as well as documentary records that have described or analyzed the characteristics of these organizations, their boundaries, and challenges in their field of action. Qualitative research has been fundamental in this regard. Finally, the websites of the interviewed social enterprises were also reviewed.

#### 4. Results

##### 4.1 Regarding the construction of identity by social enterprises

This section addresses the main research question of how the identity of social enterprises is formed, considering their institutional purposes and the motives for their creation. The section also analyzes the differences and similarities with conventional businesses and NGOs, as well as the discourses that guide their actions.

##### *Institutional purposes and motives behind the creation of social enterprises.*

Reviewing the objectives expressed by the representatives of the interviewed social enterprises (see Table No. 3), it is evident that the vast majority of these entities seek to address social issues such as sanitation gaps, employment inclusion for people with disabilities, improvement of educational quality for extremely poor students, and empowerment of vulnerable populations such as artisanal fishers and women in extreme poverty, among others. Indeed, 75% of the organizations in the sample have objectives that can be classified as driven primarily by social motivations.

Second, the study findings reveal the existence of social enterprises motivated primarily by environmental issues (17%), such as solid waste management and plastic pollution. Lastly, one social enterprise was identified with primarily economic motivation for founding the organization through exports (8%), while also aiming to contribute to a social cause linked to rural families.

**Table 3: Objectives and Initial Motivations of Social Enterprises**

Organization(s)	Year of foundation	Location	Objectives	Initial motivation
SANIMA (ANTES X-RUNNER)	2011	Villa el Salvador, Lima	Closing the sanitation gap to improve population health	Social
EMPANACOMBI	2012	Lima	Inclusion of people with disabilities in the workforce	Social
KANTAYA	2004	Ventanilla, Lima	Improving the educational quality of children in extreme poverty	Social
SINBA	2016	Lima	Addressing environmental issues and solid waste management	Environmental
SFT	2016	Lima	Promoting sustainable artisanal fishing and empowering artisanal fishers	Social

Organization(s)	Year of foundation	Location	Objectives	Initial motivation
CONEXIÓN ADULTO MAYOR	2012	Lima	Providing access to services for the elderly	Social
ENSEÑA PERÚ	2010	Lima	Advocating for high-quality and transformative education for all students in Peru	Social
KHANA	2015	Lima	Reducing plastic pollution and creating opportunities for women in vulnerable areas	Social and Environmental
LABORATORIA	2014	Lima	Bridging the gender gap by including women in the technology industry	Social
PIMAPALKA	2003	Ayacucho	Promoting textile skills among women affected by terrorism and domestic violence	Social
INKAMOSS	2010	Lima	Strengthening the capacities of rural families as providers of moss	Economic and Social

Source: compiled by author

The identity of the social enterprise is therefore oriented towards issues that the conventional market does not take into account due to their low profitability—at least until now. However, as can also be seen in Table 3, this is still a relatively young sector in Peru, as the oldest company in the sample dates back to 2003 while the majority was created from 2010 onwards.

Thus, it is still too early to judge their virtues and the effectiveness of their endeavors. However, what can be confirmed is that while the objectives of these organizations do not differ substantially from those proposed by various NGOs and government social and productive programs, the significant difference lies in the means and instruments used to achieve them: risking some element of capital and implementing market innovation as a strategy to address poverty and exclusion. The next subsection will examine the differences and similarities between social enterprises and private organizations and NGOs that perform similar work but have different means of fulfilling their institutional mission.

#### ***Distinctive identity: differences and similarities between private companies and NGOs***

Table 4 presents the self-perception of social enterprises when asked about their distinctive identity and the key elements that differentiate them from NGOs and private companies with a CSR approach. As can be seen, a significant number of organizations participating in the study self-identify as social enterprises, while a smaller proportion clearly understand the differences between this type of entity and other organizational structures in the private sector and organized civil society.

**Table 4: Distinctive Identity**

Organization(s)	Distinctive Identity	Differences with a private company/NGO
SANIMA (ANTES X-RUNNER)	Social enterprise	Differs from private companies because its investors contribute capital and expect a return on investment. Differs from NGOs because it does not depend on international cooperation
EMPANACOMBI	Social enterprise	NGOs do not enter a competitive market. A social enterprise uses the mechanisms of a company, but its goal is social
KANTAYA	NGO aspiring to projects as a social enterprise	Not applicable
SINBA	B corporation / socio-environmental enterprise	Not applicable
SFT	Social enterprise	NGOs focus on project outcomes. For-profit private companies have a focus on profitability
CONEXIÓN ADULTO MAYOR	Social enterprise	NGOs are dependent or subject to a model imposed by a sponsor (international cooperation)
ENSEÑA PERÚ	<i>“Movimiento social”</i>	Not applicable
KHANA	Social enterprise	For-profit companies with CSR have a core business that is not necessarily aligned with their social projects NGOs do not pursue business, and their social projects are organized with the support of volunteers or international cooperation

Source: compiled by author

Most of the interviewees are clear about what they are as an organization, as well as about the most significant differences with NGOs and conventional businesses. However, another group of leaders were unable to answer the question about the differences in relation to the mentioned organizations, demonstrating that this nascent movement is still trying to position its institutional image in the country.

Compared to organizations with a longer historical tradition, it is evident that many social entrepreneurs starting out in this field perceive themselves as belonging to the non-profit framework of development (NGOs, foundations) or to the framework of economic profitability with a social purpose (companies with CSR, shared value, or triple-bottom-line approach).

The interviewees highlighted some specific approaches characteristic of the model analyzed in this study. Conventional businesses prioritize economic value and profitability due to the natural expectation of their investors and shareholders to recover their capital and achieve higher financial benefits since they would not otherwise risk their money. Thus, although social issues currently have their place in the efforts of conventional firms, they are not necessarily aligned with their core business.

On the other hand, for some of the interviewees, it is clear that NGOs depend economically on an external entity, such as international cooperation, which provides most of the economic resources that sustain them as a development organization. Once the project that motivated their efforts and the agreement with the financial institution have been completed, the funding ceases.

Indeed, the activities carried out by NGOs with their target populations are not involved in the competitive market and so they do not generate their own income, significantly limiting their economic sustainability (besides being illegal). However, it is also recognized that some NGOs are gradually entering the field of social business (Bobadilla, 2022). For more information on the comparison between social enterprises and NGOs and traditional companies, see Annexes 1 and 2.

#### ***4.2 Partners, allies, beneficiaries, or customers: relationships with the target group.***

This section describes the characteristics of the target group prioritized by social enterprises as part of their institutional mission and organizational strategy: the direct target population (hereafter referred to as PD) and the indirect target population (hereafter referred to as PI). The analysis is organized into three parts. The first part explores the characteristics of both types of populations: PD and PI. In the second part, the roles fulfilled by this population in relation to the social enterprise's proposal are described. Finally, the third section specifies whether the PD's access to the social enterprise's products and services is paid for, remunerated, and/or free.

Based on the rules they themselves have been building, social enterprises aspire to create relationships of empowerment rather than dependence (Bobadilla & Tarazona, 2008). This implies that the selection of future partners or allies requires the identification of individuals, families, or organizations within the fabric of poverty or exclusion who have basic capacities and values of responsibility and commitment. This can be challenging to find in sectors with a strong culture of assistance or tutelage.

Therefore, targeting cannot be based solely on the measurement of a representative sample, as a closer, if you will; ethnographic approach or face-to-face knowledge of the population is needed. The success of the social enterprise will also depend on the care taken in this selection.

#### ***Target population: who makes up the direct and indirect target population of social enterprises?***

Based on the interviews conducted with the social enterprises in the sample, multiple characteristics were identified according to the selection criteria. This allows for a deeper understanding of the direct target population (DP) and indirect target population (IP). The main findings will now be described, taking into consideration: i) the understanding of the direct and indirect target population, ii) the basic organizational model derived from this classification, and iii) the selection criteria used to determine the

population with which each social enterprise will work and the type of relationship it will establish with them.

First, the DP is defined as those who directly receive the goods and/or services from the social enterprise without any intermediaries, thereby allowing the organization to fulfill its institutional mission: the reason for its efforts.

On the other hand, the IP refers to those who assume a relevant role in the process of delivering goods and services intended for the direct target population, which allows for greater quality and better conditions of delivery. While the actors within this IP may assume different roles, it is important to differentiate this population from those actors in the environment who perform other functions in their relationship with the social enterprise. IP actors include those who provide significant support in their institutional positioning within an ecosystem or those who may promote or support a specific entrepreneurial model in gaining legal recognition or expanding coverage through political advocacy.

More specifically, the IP includes actors with whom there is a relationship based on social capital known as linking, which allows the organizations to increase their power to achieve objectives of greater, macro-social impact (Mazzotti, 2006). It should be noted that this group does not include the paid staff hired by the social enterprise.

Second, the classification of the population into “direct” and “indirect” sheds light on different forms of organizing work that demonstrate different basic structures for intervening and achieving their objectives: i) organizations that focus on their direct target population and do not require the support of an indirect target population (without IP) to fulfill their mission (7 enterprises); and ii) organizations that, in addition to serving their direct target population, require an indirect target population (with IP) to fulfill their institutional mission, as they represent actors who collaborate in the delivery of goods and services (4 enterprises).

In the first group, notable social enterprises include Sanima, Sinba, Inkamoss, Laboratoria, Pimapalka, Conexión Adulto Mayor, and Empanacombi. In the second group, prominent enterprises are SFT, Kantaya, Khana, and Enseña Perú.

Third, when it comes to the selection criteria for the target group, the interventions of social enterprises serve populations with numerous characteristics, and which may or may not be experiencing some form of social, economic, and/or cultural exclusion related to factors such as age, vulnerability, poverty level, gender, socioeconomic status, geographic location, among others.

These specificities are highly diverse among the direct target groups of the social enterprises in the study. Based on the proposed definition of the direct and indirect target populations, selection criteria—generally referred to as social, economic, geographic, age group, and gender criteria—are taken into consideration. Table 5 presents the most representative characteristics of the groups that make up the direct target population (DP) and indirect target population (IP), the selection criteria, and how this selection will demonstrate an initial organizational model.

Those social enterprises that work in alliance with a DP and a IP are classified as "with indirect target population" in the table, while those who do not require the support of a IP to fulfill their mission are classified as "without indirect target population."

**Table 5: Direct and Indirect Target Population**

<b>Organization(s)</b>	<b>Direct target population</b>	<b>Selection criteria<sup>1</sup></b>	<b>Indirect target population</b>	<b>Selection criteria</b>	<b>Organizational model</b>
SANIMA (ANTES X-RUNNER)	Families residing in urban areas lacking water and sanitation	Social, economic, and geographic	Not applicable	Not applicable	Without indirect target population
EMPANA COMBI	Individuals with disabilities (mainly hearing and cognitive disabilities)	Social	Not applicable	Not applicable	Without indirect target population
KANTAYA	Early childhood and primary school students	Social, geographic, and/or age group	National and international volunteers	Social	With indirect target population
SINBA	Legal entities and families that hire solid waste management services. Associations of urban recyclers. Pig breeders and pig farms	Social and economic	Not applicable	Not applicable	Without indirect target population
SFT	Artisanal fishers	Social, economic, and geographic	Restaurants	Economic	With indirect target population
CONEXIÓN ADULTO MAYOR	Elderly adults	Social and age group	Not applicable	Not applicable	Without indirect target population
ENSEÑA PERÚ	Public basic education students in rural areas.	Social, economic, age group, and geographic	Professionals interested in the education sector	Social	With indirect target population With indirect target population

<sup>1</sup> Social, economic, geographic, gender, and/or ethnic group selection criteria were taken into account

Organization(s)	Direct target population	Selection criteria <sup>1</sup>	Indirect target population	Selection criteria	Organizational model
KHANA	Women in vulnerable areas who do not generate income	Social, economic, geographic, and/or gender	Plastic-donating companies	Economic	With indirect target population
LABORATORIA	Women over 18 years old with high motivation in the technology industry	Economic, social, and gender	Not applicable	Not applicable	Without indirect target population
PIMAPALKA	Women living in vulnerable areas who have experienced some form of violence	Social, economic, geographic, and/or gender	Not applicable	Not applicable	Without indirect target population
INKAMOSS	Impoverished rural families who harvest moss	Economic and geographic	Not applicable	Not applicable	Without indirect target population

Source: compiled by author

As can be observed, there are two distinct groups of social enterprises. The first consists of organizations that work without the support or collaboration of any other actor. This group includes SANIMA (formerly X-runner), EMPANACOMBI, CONEXIÓN ADULTO MAYOR, LABORATORIA, PIMAPALKA, SINBA, and INKAMOSS (7); and the second group consists of social enterprises that require an indirect target population to deliver a quality good or service. The latter group is made up of KANTAYA, SFT, ENSEÑA PERÚ, and KHANA (4).

The social enterprises that fall into the “with indirect target population” category justify their reasons based on the type of good or service they offer to the market. This is evident in their management processes, in which there is a necessity to identify key actors to perform various complementary roles (volunteers, allies, etc.). In this collaboration, a win-win rationale is stressed for all parties involved.

As an example, KANTAYA, states that its direct target group consists of students in early childhood and primary education. These students are between the ages of 5 and 15 and live in vulnerable situations. After school, the students attend a space called "Casita Feliz," where they receive comprehensive education from Monday to Saturday, including reading comprehension, numerical and technological skills, socio-emotional skills, and experiential learning. This helps prevent the children from being alone in their homes, making it a protective space against potential risks. All this is carried out with the substantial support of a team of volunteers from Peru and abroad.

We serve school-age children in early childhood and primary education, who live in extreme poverty in the district of Ventanilla and face social issues such as single mothers, dysfunctional families, and parents struggling with addiction. We have the support of a team of national and international volunteers.

Source: Co-founder, KANTAYA

In the case of Enseña Perú, the emphasis is on how the enterprise achieves its mission through its “leadership program,” which involves the collaboration of accomplished professionals from different parts of the country who become “teach for Peru fellows” (PEP). The PEP fellows take on the role of paid teacher in public schools for a period of two years, demonstrating their high level of commitment to educational development and improvement in the regions.

Our mission is very much about collective work [...] It is to drive a leadership movement for transformative education for all students in Peru, so we are aiming for Enseña Perú's actions to create a stronger network of diverse leadership [...] We enable diverse and transformative leadership experiences where individuals from different parts of the country connect with each other through a shared purpose, gain in-depth understanding of the educational reality, and generate extraordinary changes in others and themselves [...] The PEP Model is a two-year leadership program open to any professional in Peru.

Source: Co-founder, Enseña Perú

The organizations in the second case (“without PI”) include the testimonies of Empanacombi and Laboratoria. The case of Empanacombi involves direct work with people with disabilities—primarily hearing and intellectual disabilities—who are employed in inclusive kitchens. It was identified that this group takes on the role of collaborators in the social enterprise, receiving remuneration for their work, primarily in operational tasks.

For this purpose, the organization has adapted its infrastructure and business model to promote the employment inclusion and develop the necessary skills and capacities of this target group.

Our goal is to generate development and be a platform of opportunities for people with disabilities to thrive [...] The kitchen is a tool for social and employment inclusion, where each individual plays an important role in the value chain. In addition to providing them with the opportunity to be in a safe and inclusive space that has been designed for them, we promote camaraderie and working shoulder to shoulder. They are held to the same work standards as individuals without disabilities. We understand that there is a learning curve, so we evaluate each worker based on their profile and diagnosis. For deaf employees, they can wash dishes, put trays in the oven; everyone communicates using sign language, and there are infographics and flowcharts on the walls explaining the procedures. They show great commitment to their work.

Source: CEO, Empanacombi

In the case of Laboratoria, a social enterprise that has a flagship program called “Bootcamp” aimed at women over the age of eighteen, the objective is to provide training in programming and information technology to the target group, thus contributing to their



personal and professional empowerment by fostering autonomy and leadership in the projects they undertake:

The Bootcamp for women is the program in which we teach programming to women over 18 years old. The program promotes autonomous learning, so that they take ownership of their learning process. When they start working for the companies that hire them, executives are surprised to see that a woman, regardless of her background, without a university degree, has the ability to continue learning on her own and lead projects. It is a skill that is not taught at universities.

Source: Communications Manager, Laboratoria.

Whichever model is chosen (with DP or IP), it is clear that each social enterprise seeks to enhance its effectiveness depending on the innovative goods or services and the target market it focuses on.

***What type of relationship do social enterprises uphold with the target population (DP and IP)? What roles does this population fulfill?***

Having presented the characterization of the target population (DP and IP) with which social enterprises work, this study now analyzes the specific relationships that these organizations uphold with each group in the context of the services and/or products offered. It is important to note that, in most cases, the interviewed social entrepreneurs promote an active role for the groups they work with (especially with DP), seeking their participation with varying degrees of responsibility in the execution process according to clear roles and rules.

Based on the information obtained, four roles have been identified: (i) customers, (ii) collaborators, (iii) direct beneficiaries, and (iv) suppliers. The role of customers is defined as those who access the goods and/or services produced or provided by the social enterprise through monetary payment. Internal collaborators work for the social enterprise as employees with all the corresponding legal benefits. Direct beneficiaries are a group that accesses the goods or services free of charge without making any payment. External suppliers are represented by groups that provide raw materials and/or inputs to the social enterprise and are remunerated only for the delivered products.

As to the target population (DP), it was found that 25% assumed the role of customers (Sanima and SINBA) who access the service through a social cost payment. One-third (33%) had the role of direct beneficiaries of the organization (Enseña Perú, Kantaya, Conexión Adulto Mayor, Laboratoria), with the exception of Laboratoria, whose direct beneficiaries enter the Bootcamp program completely free of charge through a rigorous selection process and subsequently commit to repaying the organization after graduating from the program.

Finally, most social enterprises include their direct target audience in the group of internal collaborators/external suppliers (42%); organizations that do so include Empanacombi, SFT, Khana, Pimapalka, and Inkamoss, depending on the production and marketing processes they implement. In this regard, it is important to highlight that Empanacombi is the only social enterprise that hires personnel entirely from its direct target population.

In the other social enterprises, different forms of relationship prevail, such as suppliers who receive a socially fair payment through service contracts or by delivering a specific product according to the marketing processes they implement. The characterizations of the direct target group that receives the products and/or services provided by the social enterprise are diverse, and include families or populations in vulnerable situations (people with disabilities, people living in areas without urban sanitation), students, fishers, elderly individuals, women, etc. All these populations play an active role as customers, suppliers, internal collaborators, or direct beneficiaries.

On the other hand, organizations with an indirect target population, such as Kantaya, SFT, Enseña Perú, and Khana, draw on a diversified network of support that allows them to build the necessary social capital to strengthen collaboration and thus ensure better service for the direct target population, contributing to the sustainability of the innovative project and the organizations involved.

From an inclusive perspective, it is evident that the roles of customers, collaborators/suppliers, and beneficiaries can be identified in the direct target population, with collaborators and suppliers playing the predominant role, while in the indirect target population the identifiable roles are customers (25%), volunteers (25%), and allies (50%).

**Table 6: Compared Roles in the Direct and Indirect Target Population**

<b>Roles of DP</b>	<b>%</b>	<b>Roles of IP</b>	<b>%</b>
Customers	25%	Customers	25%
Internal collaborators External suppliers	42%	Volunteers	25%
Direct beneficiaries	33%	Partners	50%

Source: compiled by author

The explanation for this composition will depend on the problem that the social enterprises address, which compels them to design an organizational management model that will define the type of relationships they build with their target groups. To this end, social enterprises, after analyzing and understanding the environment in terms of the purchase and sale of the goods and services they offer, as well as the contingencies that arise from this, will design an organizational structure as well as management and marketing processes that help them make decisions about the types of role to play that are most efficient (in terms of time and money invested) and effective (in terms of achieving goals) vis-a-vis the chosen target group. This in turn will depend on the given social innovation and its ability to create social and economic value in the market.

***Do the target populations access the social enterprise’s goods and services of the social enterprise for free or do they pay for them?***

Finally, regarding whether or not the direct target population (TP) pay for the services/products they receive, three different classifications were identified: i) they do pay for the services and/or products they access, ii) they do not pay for the goods and/or services, and iii) they receive payment as suppliers/collaborators of the social enterprise.

**Table 7: Access of the direct target population to products and/or services: Free, paid, or remunerated?**

Organization(s)	Direct target population	Role assumed in the social enterprise	Do they pay for goods/services?
SANIMA (ANTES X- RUNNER)	Families residing in urban areas lacking water and sanitation	Customers	They pay a social cost of S/.39 Soles (approximately 12 dollars) for a sustainable sanitation service
EMPANACOMBI	People with disabilities (mainly hearing and intellectual).	Collaborators	They receive payment for the tasks performed
KANTAYA	Early childhood and primary school students	Direct beneficiaries	They do not pay. Access is 100% free
SINBA	Legal entities and families that hire solid waste management services. Associations of urban recyclers. Pig breeders and pig farms. Artisanal fishermen	Customers	In both cases, they pay for a comprehensive waste management service.
SFT	Elderly adults	Providers	They receive payment for the tasks performed
CONEXIÓN ADULTO MAYOR	Public basic education students in rural areas	Direct beneficiaries	They do not pay. Access is 100% free
ENSEÑA PERÚ <sup>2</sup>	Women in vulnerable areas who do not generate income	Direct beneficiaries	They do not pay. Access is 100% free
KHANA	Women over 18 years old with high motivation in the technology industry	Providers	They receive payment for the tasks performed
LABORATORIA <sup>3</sup>	Women living in vulnerable areas who have experienced some form of violence	Direct beneficiaries	Access is 100% free, but upon graduation, they must repay the money invested in their training

<sup>2</sup> Because the organization offers various programs simultaneously, for purposes of analysis the Leadership Program is taken into account as it is the most representative and longest-standing run by Enseña Perú.

<sup>3</sup> Since the organization offers two programs, Bootcamp and Corporate Training, for the purposes of the analysis only the Bootcamp is taken into account as it is the most representative of Laboratoria.

Organization(s)	Direct target population	Role assumed in the social enterprise	Do they pay for goods/services?
PIMAPALKA	Impoverished rural families who harvest moss	Providers	They receive payment for the tasks performed
INKAMOSS	Families residing in urban areas lacking water and sanitation.	Providers	They receive payment for the tasks performed

Source: compiled by author

- Target populations that pay for the services and/or products they access (Sanima and Sinba). In this case, the population is considered as customers by the organizations. This group of social enterprises accounts for 25% of the organizations in the sample:

Because of our management model, the population assumes an active role. They sign a contract as customers, and X-Runner acts as a service provider. Their responsibility is to make a monthly payment of 39 soles, and X-Runner's responsibility is to provide sanitation services.

Source: CEO, X-Runner

- Social enterprises whose target population accesses the services offered for free include Conexión Adulto Mayor, Enseña Perú, Laboratoria, and Kantaya. These organizations are non-profit associations, and their population becomes direct beneficiaries as long as they assume a commitment and levels of responsibility towards the service provided by the company. This group of companies represents 33% of the total in the sample:

[...] We cater for children of early childhood and primary school age who live in extreme poverty in the Ventanilla district and face social challenges such as single mothers, dysfunctional families, and parents with addictions. The service we provide is free, but they are required to sign a commitment because otherwise it would deprive another child of a spot.

Source: Co-founder, KANTAYA

- The target population that enters the value chain assumes the role of external suppliers and/or internal collaborators of the organization (Khana, SFT, Empanacombi, Pimapalka, and Inkamoss). They receive financial resources as payment or fees for the work performed. This group represents 42% of the social enterprises:

The fishers assume the role of suppliers of marine products that will later be sold to restaurants. We promote formality that is non-existent in artisanal fishing, and we provide payments to the fishermen through bank accounts. We remunerate the fishermen for their work. We also provide them with training on the handling and treatment of marine products, aiming to improve their quality of life by offering better profit margins through the sale of their products, which are of higher quality and more competitive.

Source: Co-founder, SFT.

A relevant finding is that in the first group of social enterprises, where payment is required for accessing products and services, the organizations have a clear institutional identity and legal structure corresponding to the private sector (S.A.C; S.A; E.I.R.L) and they fully self-identify as social enterprises. They refer to their target population as "customers."

In the second group, where the target population has free access, the organizations have the legal form of non-profit associations and refer to their target population as "beneficiaries."

In the third group, there are social enterprises that have integrated their target population as providers who receive fair social compensation or payment.

These results give an insight into the current stage of social enterprises in Peru. While these organizations share a common identity explicitly or implicitly, their approaches to addressing social issues combine traditional organic forms (similar to the work of NGOs), as seen in those enterprises where the target population does not pay for the service—although they assume significant responsibilities—and in social enterprises whose organizational model is more aligned with the "nature" of work focused on organizational sustainability and innovation.

## **5. Conclusion and final reflections:**

Social enterprises have emerged in response to rent-seeking and mercantilist capitalism. They present themselves as an alternative to organizational forms that rely on international cooperation, donations, or other unsustainable forms of funding. Their goal is to achieve social objectives through innovative proposals and market-based relationships, where the resulting economic and social benefits benefit both the entrepreneurs and the target population, based on assumed roles, rules, and levels of responsibility.

The importance of highlighting the institutional identity of social enterprises lies in the system of institutional expectations that regulate and guide their actions, as well as in the pursuit of a positive social image, avoiding perceptions that relativize their role or label them as "hybrid" organizations or define them by what they are not. While these organizations may be part of platforms or movements that bring together various entities with common social objectives (NGOs, for-profit small and medium-sized enterprises, foundations, associations, cooperatives, etc.), it is important to discern who they are and what each of them does, as the resources they employ and the ways in which they meet needs and achieve goals are fundamentally different.

Social enterprises in Perú are currently at an early stage in their development, where the rationality and efforts of the entrepreneurs are based primarily on socio-environmental motivations and objectives. These organizations and their leaders are starting to demonstrate that their endeavors are viable as long as they clearly respond to the needs of specific target groups, especially through the recognition they receive for their achieved results in terms of both social impact and economic aspects.

This combination of interests in helping socially excluded groups and making the goods and services they deliver profitable in the market compels social enterprises to take great care in choosing the target group and the type of relationships they build based on agreements or contracts. The degree of responsibility assumed by the target groups in implementing the social business is an essential consideration for the viability of the

proposition. As we have seen, the most relevant relationships between social enterprises and the target population are those of collaborators, suppliers, and customers. The least prevalent relationship is that with beneficiary populations that receive services for free (similarly to the relationships that NGOs uphold with tier beneficiaries).

If the above-mentioned relationships are indeed the most prevalent, then the legally accepted organizational forms will be those adopted by conventional for-profit businesses (such as corporations, limited liability companies, sole proprietorships).

Meanwhile, organizations registered as non-profit associations may not acknowledge their identity as social enterprises, but they still demonstrate relationships with their beneficiary populations in which they do not pay for the service provided but fulfill certain duties to access it.

The urgent need to build an ecosystem that provides institutional support in terms of contributing to financing (low-interest credits), training and information, the legal framework (such as the Benefit and Collective Interest Companies Law), and support networks (universities, government entities, socially responsible companies, think tanks, among others) is one of the most important challenges if the organizational model of social enterprises is to gain legitimacy and become a benchmark of effectiveness in contributing to the sustainable eradication of poverty and social exclusion.

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## 7. Annexes

### Annex 1: Characteristics and Complementary Roles of Social Enterprise and Conventional Enterprise

VARIABLES	ORGANIZATION TYPE			
	SOCIAL ENTERPRISES		CONVENTIONAL ENTERPRISES	
	Characteristics	Complementary role learned from conventional enterprises	Characteristics	Complementary Role that can be learned from social enterprises
<b>MOTIVATION</b>	Equity and social inclusion	Economic sustainability	Economic profitability	Social and environmental sustainability
<b>PURSUED OBJECTIVES</b>	Social changes or transformations	Economic development	Customer satisfaction	Sustainable human development
<b>DIRECT TARGET GROUP</b>	Targeted according to gaps and needs or with minimum/limited capacities and potential to be developed	Territorial and global perspective Ability to pay for services or complement as partners	Defined by the market segment and purchasing power	Capacity building
<b>RELATIONSHIP WITH TARGET GROUP</b>	Relationship characterized by direct interaction with the population (face-to-face). Loyalty or bond with the individual or organization.	Attention and quality Services	Impersonal relationship through the goods or services sold. Brand loyalty or bond.	Focus on individuals and not just their demand capacity.
<b>MANAGEMENT MODEL</b>	Organizational model is designed in relation to the social problems it seeks to address. Organizational charts, processes, and intervention strategies will depend on the poverty and exclusion context they aim to resolve.	Incorporating areas and personnel to analyze and evaluate the cost and economic profitability of services.	Organizational model is designed in relation to market demand. Organizational charts, processes, and intervention strategies will depend on the demand capacity to consume products or services.	Giving social areas the same power as operational, production, service, and commercial areas.
<b>ECONOMIC SUSTAINABILITY</b>	Own capital Sponsorships/Donations Sale of services at appropriate or fair prices	Market analysis	Sale of products and services	Incorporating social and environmental issues into products and services.
<b>INNOVATION</b>	Increasing impacts in poverty reduction, social exclusion, and inequity.	Increasing the sustainability of the proposal within the social fabric, mainly at an economic level.	Increasing productivity and reducing costs.	Generating shared value.



## Annex 2: Characteristics and Complementary Roles of Social Enterprise and Non-Governmental Organization (NGO)

VARIABLES	ORGANIZATION TYPE			
	SOCIAL ENTERPRISES		NGO	
	Characteristics	Complementary role that can be learned from NGO	Characteristics	Complementary role that can be learned from social enterprises
<b>MOTIVATION</b>	Equity and social Inclusion	Political advocacy	Equity and social inclusion	Economic sustainability of the organization and the proposals it implements.
<b>PURSUED OBJECTIVES</b>	Social changes or transformations	Policy proposal	Social changes or transformations	Economic profitability
<b>DIRECT TARGET GROUP</b>	Targeted according to gaps and needs or with minimum/limited capacities and potential to be developed	Territorial and global perspective. Incorporating development discourses (gender, citizenship, interculturality, etc.)	Varies depending on the issue being addressed.	Expanding intervention to other groups with potential capacities to execute strategies where both parties benefit.
<b>RELATIONSHIP WITH TARGET GROUP</b>	Relationship characterized by direct interaction with the population (face-to-face). Loyalty or bond with the individual or organization.	Relationship based on development discourse and political advocacy.	Support relationship with technical and political characteristics framed within a development discourse.	Partnership or alliance relationship with individuals with potential that promotes mutual benefits.
<b>MANAGEMENT MODEL</b>	Organizational model is designed in relation to the social problems it seeks to address. Organizational charts, processes, and intervention strategies will depend on the poverty and exclusion context they aim to resolve.	Incorporating monitoring and evaluation areas, as well as coordination for political advocacy.	Organizational model is based on the types of projects they implement depending on the sources of funding (mainly international cooperation).	Incorporating market research areas for potential social businesses.
<b>ECONOMIC SUSTAINABILITY</b>	Own capital Sponsorships/Donations Sale of services at appropriate or fair prices	Complementing resources with international cooperation sources.	Funding from donations and international cooperation. To a lesser extent, consultancy services and sale of services.	Incorporating the market as a tool for social inclusion and organizational sustainability.
<b>INNOVATION</b>	Increasing impacts in poverty reduction, social exclusion, and inequity.	Not applicable.	Not a constitutive variable in the implementation of their projects.	Incorporating innovation as a new paradigm for social intervention.



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