

Participatory Governance in Social Enterprise

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***Abstract:** This paper emphasizes the importance of participative governance in the study of social enterprise. Furthermore it argues that social enterprise must be analyzed through a multi-dimensional perspective. The EMES approach is based on three dimensions emphasizing the social, economic and political dimension, while many Anglo-American definitions tend to use a one-dimensional spectrum framework. The latter often see social enterprise as a simple phenomenon that can be arranged along a continuum, ranging from economic to social, where more of one means less of the other. However, this fails to acknowledge the multi-disciplinary nature of social enterprise. Scholars inspired by the EMES approach should devote greater attention to exploring the interactive and interrelated nature of the three dimensions of social enterprise, especially the governance dimension.*

1. Introduction

Both the public and the academic debates about social enterprises appear to suffer from a lack of agreement on basic definitions and demonstrate considerable confusion about what to include and what not to include. Much of this confusion could be dispersed with a more concise and focused definition of social enterprise, one that is contextually specific rather than vaguely universal. Here we will mainly focus on the European discourse, emphasizing its multi-disciplinary characteristics. The three dimensional approach of EMES¹ to the study of social enterprises can offer a way forward and provide an anchor in a sea of confusion caused by competing perspectives and a lack of scholarly/scientific maturity of the subject. In order to pursue this we will first discuss the state of confusion often found in the public and academic debates about social enterprise before presenting the second and third dimensions of the three dimensional EMES approach, one that clearly emphasizes the importance of participation and governance.

2. The public debate

The public debate about social enterprise and social entrepreneurship suffers from a mix of the vagaries of two contrary tendencies. The first tendency is so broad that it appears as an attempt to “make a chicken from a feather”, while the second tendency is so narrow that it seems the opposite,

¹ EMES is a research network of established university research centers and individual researchers whose goal has been so far to gradually build up a European corpus of theoretical and empirical knowledge, pluralistic in discipline and methodologies around “SE” concepts: social enterprise, social entrepreneurship, etc. (www.emes.net).

an effort to “make a feather from a chicken”. In the first case the rule seems to be that “anything goes”, where almost any and every business firm, including those with only an indirect or vague social value and those that practice some form of corporate social reporting or corporate philanthropy can qualify as a “social enterprise”, although this is clearly part of a strategy to achieve greater sales, turnover and profit. The second case reflects the opposite tendency, here “almost nothing qualifies” and very few organizations are able to meet the strict criteria necessary to gain public recognition as a social enterprise in some European countries. However, large differences can be observed between the EU countries, a point to which we will return later on.

In the first case, some definitions of social enterprise are so vague or loose that a big international fast food chain might even qualify as a social enterprise, since it offers many young people their first job and helps them get a foot into the labor market. In addition, it may also operate a number of special houses for the families of children with a serious illness, allowing them to stay close to their family when they are hospitalized and receive advanced medical treatment. While such activities clearly represent important social values, they don’t comprise the main focus of this big international food chain’s business activities. Rather they are related to its business strategy of employing cheap unskilled labor in order to keep its costs down and/or promoting its public image. They are a means to an end, rather than an end in themselves. Similarly, a mammoth retailer provides jobs in many communities across the nation, which is very laudable in times of high unemployment; but it is also notorious for its low wages and poor working conditions. Would it also qualify as a social enterprise under such vague criteria? Perhaps it might. Would the world’s largest tobacco manufacturer also qualify as a social enterprise if it donated funds to a known local nonprofit to feed the elderly? Or perhaps a big European state-owned energy company that mines huge reserves of brown coal for its operations abroad and manages nuclear plants outside its borders, could it also be considered a social enterprise if it regularly arranged a marathon or other sporting events in a big city? Why not include a global electronics company that claims to be the number one ‘social business enterprise’ in the world by improving its capacity for corporate social responsibility? Such questions are not always easy to answer, especially without any clear standards or guidelines.

Calling a huge international fast food chain, a mammoth retailer, the world’s largest tobacco manufacturer, a global electronics company or a big European energy company a “social enterprise” promotes the idea that “anything goes”. Are there any limits on how much of a big enterprise’s activities or surplus needs to be earmarked for social activities for it to be considered a “social enterprise”? Is 25 per cent of its turnover or surplus sufficient, 50 per cent, perhaps 75 per cent, or even just 5 per cent? Without limits, whether high or low, any firm that wanted to adopt this popular label could easily do so, although it could be the key to its marketing strategy on the conventional

market. Following Bob Reich (2011) social enterprise includes entrepreneurial activities in forms of CSR, social impact investment, corporate social innovation, social responsible investment and other contemporary corporate strategies to strengthen the triple bottom line of conventional business. Therefore, we need to ask what would be excluded or left out of a term like social enterprise. Very little it seems, especially if there are no clear academic standards or legal guidelines. Moreover, when almost everything is included, we also need to ask what is left to compare or contrast it with. Once again, the answer would be very little.

In the second case, some academics, representatives of the social enterprise community itself and even public bureaucrats can promote a particular agenda by employing a very narrow focus on certain social enterprises, to the exclusion of many others. For example, public bureaucrats can seize a new, popular academic term, like social enterprise in an attempt to promote their own policy aims. Thus, the European Social Fund and labor market agencies in several European countries have coupled the term social enterprise with policy aims of job creation, particularly for persons with a physical, social or psychological handicap. Naturally, such public bureaucracies are clearly interested in promoting work integration social enterprises (WISEs), since they appear to offer new and innovative ways to promote employment and job-training among their target populations. Therefore, some public bureaucrats define social enterprise so narrowly as to exclude most other types of cooperative social services, like childcare, elder care, etc., or services of general interest and collectively managed enterprises serving a specific community. So, in the public debate in some, if not most, EU countries, social enterprise becomes synonymous with work integration social enterprise. The Finnish Act on Social Enterprises introduced in 2004 has a specific focus on WISE. A similar development can be observed in Denmark (Socialstyrelsen, 2014), Poland (Pestoff, 2011), Sweden (Levander, 2011) Thus, WISE has become equivalent to and sometimes even the official definition of social enterprise in certain EU countries, to the exclusion of other phenomenon that closely fit European academic approaches to the study of social enterprises. Some observers even suggest that the European bureaucrats have “hijacked” the concept social enterprise for their narrow policy goals, to the detriment of the public debate and development of the sector itself (Moulaert, Jessop, Hulgård & Hamdouch, 2013). Once again, we are left to ask what is left to study and compare work integration social enterprises with, when most other types of firms with clear social goals are excluded? Once again the answer is very little. By combining these two extremes we get the following figure.

Figure 1. From “anything goes” to “almost nothing qualifies”

Anything goes → -----E M E S----- → **almost nothing qualifies**

Source: Pestoff, 2014

It is noteworthy that the EMES approach is found somewhere in the middle of these two conflicting extremes in the public debate, as suggested by the figure above. Thus, its approach provides a stable middle ground in an otherwise stormy and contentious sea of change. Given the conflicting tendencies in the public debate on social enterprise one should expect that the academic debate could perhaps provide more guidance. However, it too remains highly divided and contentious, as discussed below.

3. The academic debate – differing perspectives

The terms *social entrepreneurship* and *social enterprise* are sometimes used interchangeably, but they should be distinguished from each other. They gained importance in the academic debate in the early 1990s and later became buzz words both in the United States and continental Europe, although with a somewhat different focus, scope and understanding. Definitions of social entrepreneurship can range from narrow to broad (Galera and Borzaga, 2009). According to the narrow definition, social entrepreneurship is clearly located in the nonprofit sector and refers to the adoption of entrepreneurial approaches in order to earn income. It presumes that the social mission is explicit and essential. What primarily distinguishes social from commercial entrepreneurship is something they call the “opportunity dimension”. Commercial entrepreneurship focuses strictly on markets that can provide profitable opportunities, while social entrepreneurship is attracted by an unmet need, demand or market failure, i.e., the opportunity for social change. By contrast, broad definitions refer to a conception where this phenomenon can be found anywhere and in any business or setting, for-profit, nonprofit, public sector or any mix thereof (*ibid.*: 212). Until the late 1990s social entrepreneurship was first of all a field of interest for reflective practitioners who saw themselves as “civic entrepreneurs” working in collaborative arenas to improve the resilience of specific communities either as integral parts of the mainstream market economy (Henton, Melville and Welsh, 1997), as parts of a counter movement (Hulgård, 2004), or they were social entrepreneurs working with an ambition of systemic change within a wide range of social and financial services (Leadbeater, 1996). However, since the beginning of the 21st century this picture has changed. Social entrepreneurship has managed to conquer centre stage of general entrepreneurship theory. Already in 2006 it was

estimated that 75 per cent of all academic articles on social enterprise and social entrepreneurship were published between 2002 and 2005 (Steyart and Hjorth, 2006), displaying the novelty of the surge of interest in issues related to social entrepreneurship. The origin of the social entrepreneurship vocabulary is vague, and yet the idea has proven to be a powerful vehicle for social change. A review of literature on social entrepreneurship reveals two very different ways of conceptualising social entrepreneurship. Either it is simply about creating social value through innovations irrespective of its place in the capitalist or non-capitalist economy (the narrow-broad dimension), or it is about social value created through innovations according to the principles of the social economy.

In continental Europe, social enterprise refers to an organizational unit or enterprise (Borzaga and Defourny, 2001; Nyssens, 2006; Defourny and Nyssens, 2014). This understanding stems from strong collective traditions found in cooperatives, mutuals and associations in Europe (Defourny and Nyssens, 2006). Galera and Borzaga (2009) maintain that the EMES concept of social enterprise does not seek to replace other existing concepts; rather it aims to promote a better understanding of third sector entrepreneurial dynamics in Europe by focusing on social aims within the sector, combined with the historical trends involving them in the provision of social services. Thus, a specific feature of the European social enterprise tradition is setting up autonomous institutional structures specifically designed to pursue social goals in a stable and continuous way through the production of goods or services of general-interest (*ibid.*: 213).

The United States by contrast has shown a preference for the term social entrepreneurship and adopted a broader understanding of the term that includes the idea of “market based approaches to social issues” (Kerlin, 2006) which can be undertaken by any organization or firm in any sector of the economy. Social entrepreneurship is merely about creating social value through innovations, and as such it is equally related to private enterprise as to the third sector (Dees, Emerson & Economy, 2002). Thus, they are often undertaken by nonprofit organizations that manage to generate a surplus from their trading or business activities in order to meet their social goals (Dees, 1998). Nevertheless, this broad definition appears to focus more on the phenomenon of entrepreneurship than the organizations or enterprises involved in them, i.e., more on social entrepreneurship than on social enterprise, more on social mission as a minor or major element of a corporate strategy than on the process and governance dimension generating the social value (Moulaert, Jessop, Hulgård & Hamdouch, 2013).

Differences in perspective between Europe and the US concerning social enterprises also mirror a prevailing private and business focus in the US, where private foundations provide most outside financial support for social enterprises and the welfare state is relatively weak, while there is a stronger government and social service focus in Europe (Borzaga & Santuari, 2003; Hulgård,

2011). According to Teasdale, the United Kingdom appears to borrow a bit from both traditions. The government sees social enterprises as part of the third sector and defines them as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximize profits for shareholders and owners” (Cabinet Office of the Third Sector - UK Government, 2006: 10). However, this broad definition also leads to confusion and different observers use the same term to refer to different types of organizations (Teasdale, 2010).

Given the differing perspectives in the academic debate perhaps we should applaud recent efforts to promote a unified theory or universal metaphor of social enterprise that attempt to bridge these differences.

4. In search of a “unified theory” of social enterprise or a universal metaphor

The works of a prominent American third sector scholar, Dennis Young, help illustrate such universal efforts to study social enterprise. Two recent works provide the following definitions of social enterprise as activity that is “...intended to address social goals through the operation of private organizations in the marketplace” (2008: 23) or that “...involves the engagement of private sector forms of enterprise and market based activity in the achievement of social purpose” (2009: 175). However, these broad, market oriented attempts to define social enterprise provide little guidance for distinguishing between what is and is not included by the term social enterprise. The definitions provided potentially span the entire specter of social enterprise as scheduled in Figure 1 above. Furthermore, the former article provides a variety of perspectives on social enterprise from various academic or disciplinary approaches that include history, economics, management theory, organizational theory, entrepreneurship and international manifestations (Young, 2008). However, management theory, organizational theory and entrepreneurship are sub-disciplines of business administration, while international manifestations are not generally recognized as a separate discipline. But other disciplines, like public administration, political science or sociology are excluded from this attempt to define and delimit this highly multi-disciplinary field.

This survey of academic disciplines results in six different “social enterprise identities”, including one called “corporate philanthropy”, which is illustrated by “a profit seeking organization that devotes some of its resources to social programs as part of a competitive strategy” (*ibid.*: 35). Whether corporate philanthropy should be considered as market or non-market entrepreneurship is highly debatable. Shockley *et al.* (2009) argue that non-market entrepreneurship excludes any form of entrepreneurship being undertaken solely for the purpose of profit maximization or

commercialization. Nor would corporate philanthropy be included in the EMES approach to social enterprise (Defourny and Nyssens, 2014; Galera and Borzaga, 2009).

In the second article Young (2009) pleads for a more “unified theory” of social enterprise, since it is viewed so differently in Europe and the US. A “unified theory” can provide “... a framework that ties all together in a comprehensive way”. This framework is well known since it is “... the basic economic paradigm of supply and demand as applied to social enterprise” (*ibid.*: 176). It “helps to explain the varying concepts of social enterprise in different parts of the world, particularly in Europe where it appears to be demand driven, while in the US it seems more supply driven” (*ibid.*). Moreover, “... only a ‘unified theory’ of social enterprise which acknowledges both demand and supply side forces allows us to recognize social enterprise as a coherent phenomenon and understand variations from one venue to another” (*ibid.*: 183). Thus “... the supply demand framework for understanding social enterprise has the potential for integrating heretofore disparate subject matter into a more coherent whole” (*ibid.*: 189).

However, can a “unified theory” truly encompass the diverse, and at times conflicting, understandings of social enterprise found in Europe and the US? It has little to do with social origin approaches that seek to understand the socio-economic trajectory of the phenomena (Salamon & Anheier, 1996; Mair, 2010). Thus, there seems to be an inherent tension between recognizing these major contextual differences, on the one hand, and trying to provide a “unified theory” of social enterprise, on the other. Moreover, there also appears to be some tension between attempting to integrate the perspective of various disciplines in the field of social enterprise and proposing to unify them by employing the conceptual tools so closely tied to a single discipline.

Young and Lecy (2014) recently lament the continued lack of agreement on the proper metaphor for studying social enterprise, given more than a decade of academic debate on definitions and attempts to classify this phenomenon. They present three or four alternative schools of thought for studying social enterprise, including the EMES school, the social-economic spectrum school, the social innovation school and the UK social business school. They note that the EMES school requires “... all social enterprises to adhere to particular norms of organizational operation in connection with governance and profit distribution, as well as giving priority to community benefit over profit making”. (Young and Lecy, 2014: 1312). Thus, they argue that this “... tends to exclude certain forms that others would consider part of the social enterprise field” (*ibid.*).

In order to resolve this dilemma, they propose to use the metaphor of a *zoo* as the most appropriate way of understanding different and divergent tendencies in the study of social enterprise (*ibid.*). They delimit the number of creatures found in this zoo by building walls around them with the help of two concentric overlapping circles. One represents a social enterprise’s commercial

activity while the other is its social mission (*ibid.*: 1321). They state that only those animals included in the central overlapping part of the figure are recognized as social enterprises and surrounded by the walls of the zoo. This central area includes six main species of animals: a) for-profit business corporations that engage in corporate social responsibility, environmental sustainability or corporate philanthropy in order to maximize long term profit; b) social businesses; c) social cooperatives; d) commercial nonprofit organizations; e) public-private partnerships; and f) hybrids (*ibid.*: 1320-22). Furthermore, they argue that the zoo metaphor suggests some important research questions, including which animals belong in the social enterprise zoo, how is each best nurtured, understanding their food chain and who eats whom, how a species evolves over time, which ones make good pets, etc. (*ibid.*: 1323).

The concentric overlapping circles used to represent the confines of the zoo are presented in the two dimensional space found in their figure. Along the horizontal dimension we find the traditional spectra of social enterprise ranging from commercial activity to social mission. However, the vertical dimension, from social coops to socially responsible corporations, remains unexplained. There is no mention of the nature of this second dimension or what comprises it in their discussion of the social enterprise zoo. Moreover when exploring the zoo along the social enterprise specter Young and Lecy fail to explain the historical institutional factors of social enterprise in Europe and thus miss the one major characteristic beyond the social and economic dimension: governance. In order to reintroduce the importance of this dimension we now return to the European perspective.

5. Evolution of the European perspective

In the US social enterprises can take a number of different legal forms, while nonprofit organizations, on the other hand, are recognized and defined by law and they have a preferred status under US tax law. In Europe, by contrast, the policy and legal context appears much more conducive to the development of social enterprises as welfare actors, given their more institutional nature. Moreover, European legal frameworks reflect specific legal traditions, welfare regimes, and economic issues dealt with at the national level. Hence, we find a greater diversity of approaches and solutions in Europe. (Defourny and Nyssens, 2014: 218). This takes two expressions.

On the one hand, the EMES approach reflects major economic, social and political developments in Europe. For example, Italian experience in developing social cooperatives to solve a variety of social problems in the late 1980s and early 1990s helped to spread ideas and models about social cooperatives to other European countries. They took the cooperative form in several countries, like France, Greece, Portugal, Spain and Sweden, due to favorable laws found there. In Sweden, for

example, parent and worker cooperatives developed in the 1980s and 1990s to meet the growing need for more and better quality childcare (Pestoff, 1998; Pestoff, 2008; Vamstad, 2007). Elsewhere in countries like Belgium, the UK and more recently even Italy, the models developed were not specifically based on existing co-operative laws. Although this varied throughout Europe, some projects, like promoting work integration, were found in numerous EU countries (Nyssens, 2014). These developments eventually led to a coalition of scholars who wanted to better understand the similarities between separate national phenomena, so they formed a research network, called the EMES, in the mid-1990s. They wanted to test the notion they shared that new organizational type emerged during the last decades of the 20th Century. For the sake of grasping this gradual change in the third sector, the EMES scholars promoted a common definition of social enterprise throughout Europe, based on multiple and diverse indicators of social enterprises in various countries (Defourny and Nyssens, 2014).

On the other hand, the EMES network identified the common principles shared by the relevant legal structures in the concerned countries, which promotes an approach that encompasses national differences. This facilitated the development and gradual convergence of a common understanding of social enterprise that proved valuable for undertaking comparative studies (Borzaga and Defourny, 2001). However, the EMES criteria for social enterprise excludes third sector organizations that do not carry out entrepreneurial activities, like those that mainly perform advocacy or re-distributive activities, as well as public institutions and for-profit enterprises engaged in social projects (Galera and Borzaga, 2009: 215). The EMES efforts are based on an extensive dialog between and among several disciplines including economics, sociology, political science and management. They also take into account the various national traditions present in the EU.

Despite more than a decade of intensive discussion, a precise definition of social enterprise at the EU level does not yet exist. However, in the later years social entrepreneurship as well as social enterprise has “received greater recognition from the European Union” (Borzaga & Galera, 2014: 1) and a “gradual convergence towards a common definition of social enterprise (...), strongly rooted in the European tradition for collective and cooperative entrepreneurship” is taking place on the level of the European countries (ibid: 4). The EMES approach relies on identifying indicators rather than on proposing a synthetic definition. This approach allows for the conceptualization of the institutional features of organizations that are most likely to be identified as social enterprises. These features are tend therefore to reinforce each other. According to EMES a social enterprise’s *economic project* is comprised of continuous production of a good or service, based on some paid work and it takes an economic risk. Its *social dimension* relies on pursuing an explicit social aim that is usually launched by a group of citizens or a third sector organization and that has clear limits on the distribution of its

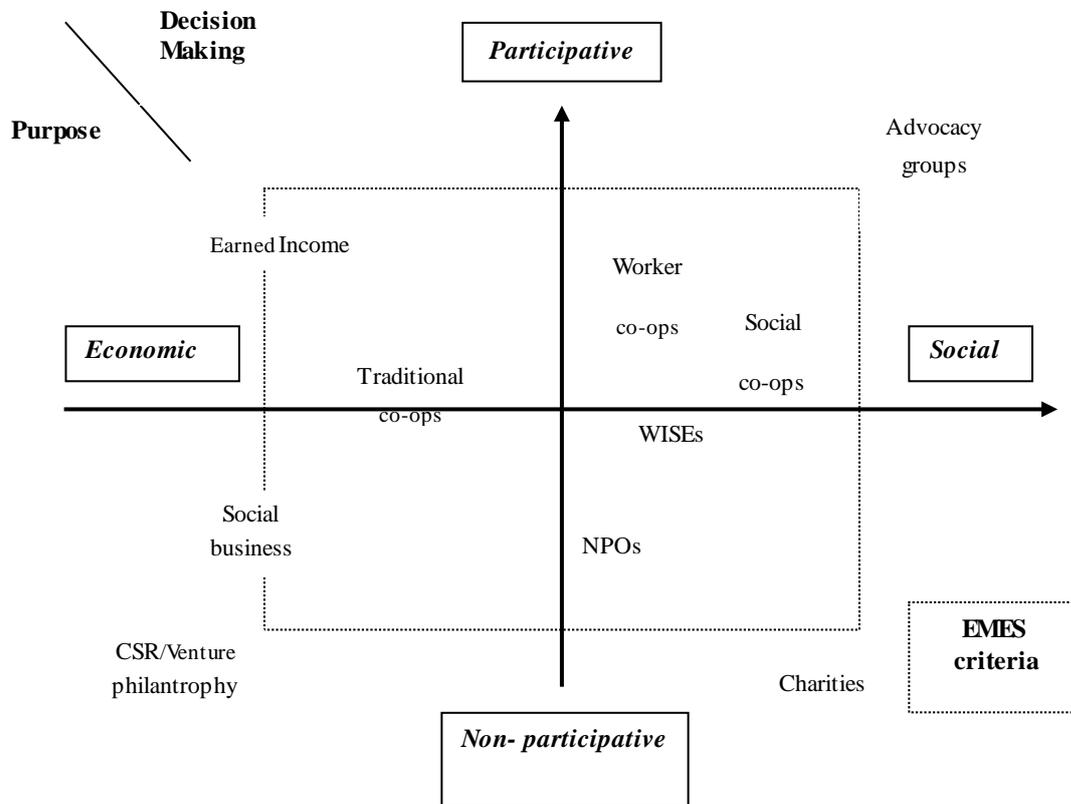
surplus or profit. Although the EMES economic and social criteria have some similarity with the ideas of the other two schools mentioned above, they are not conceived as representing the extremes of a continuum going from purely economic to purely social, where more of one implies less of the other. Rather, in the EMES configuration the economic and social dimensions work in conjunction with each other or go hand-in-hand. Thus, the social and economic criteria comprise two independent, but interrelated dimensions that do not have a zero-sum relation to each other.

Moreover, what makes the EMES approach or school truly unique is the existence of a *third dimension, participatory governance*. Here we find issues related to an organization's autonomy from both the state and market, its participatory nature of involving the major parties or stakeholders affected by its activities and the exercise of democratic decision-making, based on the idea of one-member/one-vote, rather than capital ownership or shareholders. Taken together these three dimensions represent a three dimensional space, rather than a one dimensional continuum, or spectrum, according to EMES scholars (Defourny and Nyssens, 2010; Borzaga and Galera, 2013).

Therefore, we now propose adding another dimension to the discussion in order to capture efforts to delimit social enterprise from any other entrepreneurial activity. Thus, in addition to the classical commercial activities and social mission of social enterprises, we propose to add their governance structure and process. Similarly, Teasdale (2010) underlines the importance of adding a second dimension to the classical continuum from the economic to social found in most academic and public discussions of social enterprise. He notes that much of the UK debate about social enterprise emphasizes the importance of individual entrepreneurs to the detriment of the democratic processes found in collective bodies like cooperatives, mutuals and associations. He discusses the tensions found in the social enterprise field and therefore, proposes a two dimensional representation of the space in which they operate (*ibid.*). Combining them allows him to propose four ideal types of social enterprises in the UK, including: social business, nonprofit enterprise, community business and community enterprise (*ibid.*: 93, Figure 1).

However, unlike Teasdale's depiction of the second dimension, which ranges from individualistic to collective, we propose to employ the concepts of participative and non-participative for this additional dimension to more clearly capture the nature of governance. This modification is motivated by the three criteria that comprise governance of social enterprise according to the EMES approach. Taken together they underline the participative role of the governance dimension, while organizations that lack some or all of these features could be represented as non-participative.

Figure 2. EMES and the governance dimension of social enterprise



Source: Pestoff, 2014.

The combination of these dimensions allows us to more accurately denote and delimit the space for the development of social enterprise in Europe. By adding the dimension of democratic governance to the economic and social dimensions we can more easily map the contextual space for various types of social enterprises found in Europe. However, it should be kept in mind that the economic and social dimensions are not conceived as representing a continuum found in the Earned Income School, but rather as two separate but inter-related dimensions, in addition to the governance dimension. Note that this figure clearly excludes corporate philanthropy, corporate social responsibility, venture philanthropy, as well as advocacy groups and charities. So, it would clearly exclude some of the animals found in the zoo proposed by Young and Lecy (2014), but not others. Whereas Young and Lecy claim to present ‘the zoo of social enterprise’ through a multi-dimensional lens their view is at least partially limited to the spectral perspective by situating social enterprises somewhere along the “commercial activity” – “social mission” continuum (Young and Lecy, 2014:

1321). Our proposal for a second dimension emphasizing the role of governance is found in Figure 2 above.

While the EMES ideal type of social enterprise may be poorly developed with respect to the interdependency between economic, social and democratic features it does in fact contain the potential. In the following we will explore in greater detail the governance or democratic dimension of the EMES approach since this is to date the least developed and most contested among scholars and policy makers. Although the multidimensional approach as depicted in Figure 2 cannot explain the causal relation between the three features it can mark out the network character as well as the interrelation and interdependence between the social, the economic and the governance dimensions of social enterprise.

6. Reasserting the importance of governance

It seems that much of the American academic debate about social enterprise fails to take into account the political or governance dimensions at the center of the collective efforts of the EMES network of European scholars to promote a better understanding of social enterprise. The EMES network has extensively discussed and developed nine ideal type criteria for defining and delimiting social enterprise that are comprised of three economic, three political and three social criteria (figure 2). However, only when combined or taken together, rather than considered one-by-one, do they help define and delimit social enterprise. Social enterprises in Europe are embedded in the third sector, which in turn is characterized by its historical role in the quest for more democracy in the economy and society at large, as noted for its efforts to promote universal suffrage. Together, they allow for a wide and rich array of phenomena that comprise social enterprise, ranging from the historical established cooperative and mutual societies of the 19th century, non-profit organizations (NPOs), as well as new social service cooperatives and WISEs of the late 20th century, etc. Thus governance structures have quite naturally attracted much more attention in Europe than elsewhere. In fact, it could be argued that the emphasis given to the governance issue perhaps reflects the most distinctive contribution of the EMES approach to date. Moreover, governance structure can also be seen as an organizational device to ensure the sustainable pursuit of a social enterprise's social mission (Defourny and Nyssens, 2014: 21). Thus, both the public debate noted at the outset of this paper and some academic approaches clearly ignore the political or democratic potential of social enterprise that provides one main reason to study them in Europe.

Thus, it is widely recognized that the role of governance structure is a key issue in the European discussion of social enterprise. Thus, Young and Salamon (2002: 433) state that "...in

Europe the notion of social enterprise focuses more heavily on the way an organization is governed and what its purpose is rather than on whether it strictly adheres to the non-distribution constraint of a formal non-profit organization". Defourny and Nyssens (2012) argue that the European approaches to social enterprise highlight the central place of governance mechanisms in order to guarantee its social mission, whereas the American social enterprise schools of thought do not emphasize organizational features as a key tool for guaranteeing the primacy of the social mission.

Factors promoting the development of multi-stakeholder representation and involvement are becoming a key focus of many scholars. The growing importance attributed to the governance dimension by EMES is documented in numerous papers presented at the recent EMES international conference in 2013². To mention only a few, Huybrechts *et al.* (2014) attempt to explain stakeholder involvement in social enterprise governance in relation to their resources and legitimacy, Nyssens and Petrella (2013) explore the role of multi-stakeholder ownership in relation to quasi-collective goods, while Vidal (2013) distinguishes between the role of a multi-stakeholder dialog and multi-stakeholder governance in social enterprises that provide public services.

For example, Nyssens and Petrella (2013) discuss the importance of multi-stakeholder representation in order to better take into account the collective benefits of quasi-collective goods and services in both individual and organizational decision-making. In particular, there are numerous difficulties in evaluating the performance of quasi-collective services that lead to uncertainty in terms of their quality. Some of these difficulties can be overcome by engaging in a multi-stakeholder dialog or multi-stakeholder governance. Based on empirical evidence from 21 partnerships between public and third sector actors they propose four different types of ownership to facilitate a dialog between the partners (*ibid.*: 15). Thus, they conclude that European approaches to social enterprise highlight governance and its relation to an organization's social mission.

The central and growing importance attributed to governance can be explained by several interrelated factors. First, it is a key issue in relation to keeping the economic activity in line with an enterprise's social activity. It can help to limit or avoid mission drift noted in many established consumer cooperatives in Europe (Pestoff, 2012). Second, stakeholder participation in the deliberations of a social enterprise can make a crucial contribution to social innovation by qualifying the process dimension of innovation (Moulaert, Jessop, Hulgård and Hamdouch, 2014; BEPA, 2010). Third, participation plays a role in strengthening limits on enterprises' ability to extract a profit.

² 4th EMES International Research Conference on Social Enterprise, EMES Network and University of Liège, 1-4 July 2013, Liège, Belgium.

Fourth, social ownership is becoming recognized as an important aspect of entrepreneurship in itself. Fifth, participatory governance can contribute to a process of re-embedding the economy and thereby perhaps even serve as an example for conventional private enterprises. Finally, governance is also coming increasingly under scrutiny in many social science disciplines. Thus, governance is becoming a key theoretical concept, not merely a normative prescription.

7. Conclusions

It was argued in the introduction to this paper that the EMES approach to study social enterprise can provide an anchor in a turbulent sea of confusion, both in the public debate and the academic discourse. It clearly goes beyond the simple zero-sum perception of a continuum ranging from purely economic to purely social pursuits that is prevalent in the American debate. According to the EMES approach, it is necessary to conceive of three separate yet interrelated dimensions of social enterprises: economic, social and governance. Each of them is comprised of three separate criteria used to distinguish social enterprises from advocacy organizations and charities as well as firms that aim to promote their sales strategies by using CSR or that support corporate philanthropy. The interrelated nature of the EMES criteria helps them to reinforce each other, making for a more robust sustainable phenomenon than if a single criterion was adopted or applied to the study of social enterprise. The more complex multi-dimensional approach of EMES has clear advantages over using a single dimension or criteria for defining social enterprises or on relying on key concepts from a single discipline.

In spite of the advantages of the EMES approach to social enterprise, it too has some shortcomings. In particular, two are considered briefly below. The first concerns the need to specify the governance dimension in greater detail. It is clearly a political criterion related to democracy and democratic participation by members and/or clients and citizens served by a social enterprise. Earlier, the EMES spoke of “a decision-making power not based on capital ownership”. Yet, this is a far cry from participatory governance based on democratic decision-making (Pestoff, 2009). The latter needs to be more clearly stated and further research is needed in this area to specify the governance structures and democratic nature of social enterprises. Second, it was argued herein that these three dimensions and nine criteria are highly interactive and tend to reinforce each other. Taken together, they can provide a measure of the sustainability of a social enterprise and help guard against isomorphic tendencies. If one or more of these criteria is missing we should, therefore, expect that a given enterprise will be less sustainable as a social enterprise and more open or subject to isomorphic

tendencies. Thus, the additive or interactive nature of these three dimensions and nine criteria should be studied in greater detail.

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