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Social Entrepreneurship and its Role in a Sustainable and Inclusive Economic Growth in the European Union

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INTRODUCTION

Social entrepreneurship is nowadays a widely discussed phenomenon. Although disagreement on the topic within literature is quite relevant, its meaning can ultimately be summarized as the process undertaken by organizations which spot a social need so far unaddressed by the market or the state and act to solve it in an entrepreneurial way. Social entrepreneurial organizations therefore pursue a social mission, and to achieve it they engage in entrepreneurial activities involving the local community. The entrepreneurial activities are often characterized by market orientation and innovation, and may produce independent streams of income. Such organizations, which take several legal forms, generate two kinds of value: social and economic.

Although being difficult to measure due to the lack of clear theoretical definitions and boundaries, it is common thought that the phenomenon of social entrepreneurship has been growing over time. For example, a survey in the UK shows that social startups are being founded at a higher rate than traditional commercial startups (Harding and Cowling, 2004:5). Although attention to the topic has been given by literature only from the 70’s on, social entrepreneurship is not a new phenomenon. Nevertheless, the concept of social entrepreneurship appeared in Europe for the first time with the name of social enterprise in the nineties, with the Italian law on the legal form of social cooperatives operating in the third sector. The phenomenon gained importance in the USA during the same period as well. For example, the “Social Enterprise Initiative” started in Harvard Business School in 1993. Ever since the 90’s, the phenomenon has been spreading in Europe and in the USA with different forms. The debate on the topic has been developing within different institutions and social entrepreneurship even entered many universities as a research topic and training program. Furthermore, many research networks on the topic were created on an international level, such as the EMES European Research Network, which involved the EU-15 research centers since 1996, or the Social Enterprise Knowledge Network, which involves Harvard Business School and other major Latin American business schools since 2001, the Ashoka Foundation in USA, the Skoll Foundation based in UK and the Schwab
Foundation in Switzerland, which promote and support social entrepreneurship in several ways. In particular, the European Union recently showed a lot of interest in social entrepreneurship, which partly coincides with the social economy, putting it at the center of the latest policies, such as the Europe 2020 Strategy, to foster a model of sustainable and inclusive economic growth, and recognizing its special role as a buffer against the recent crisis and a way out of it.

Social entrepreneurship is of particular strategic interest, especially in times of crisis and withdrawal of the state from social welfare provision. This interest came with a lot of literature about it, but, funny enough, one of the ideas that scholars mostly agree on is that literature about social entrepreneurship is still quite confusing. Because it comes from different actors, sectors, and with a multidisciplinary perspective, a consensus on what social entrepreneurship is (and what it is not) has not so far been reached.

Given the recognized importance of the phenomenon for social and economic development and the rising interest towards it, the goal of this master thesis is to investigate some key features of the phenomenon to better define it and to further explore how it can be useful to foster an inclusive and sustainable social and economic development at the European Union level, basing on existing literature and research.

The work is articulated into three main chapters, which address, respectively, the definition of the phenomenon of social entrepreneurship, its forms, with particular emphasis on the concept of social enterprise, and its role as an engine for inclusive and sustainable development at the EU level.

The first chapter will discuss the definitions of the concept of social entrepreneurship exploring existing literature. After some insights on the state of the literature about social entrepreneurship, the issue of the difficulties to find a shared definition of the phenomenon will be discussed. The phenomenon will be described basing on the two major features discussed throughout literature: the “entrepreneurial” element and the “social” element. The process of social entrepreneurship will be also compared with the one of mainstream entrepreneurship using the PCDO (people and resource, context, deals, opportunities) framework. Some space will be given to the description of the figure of the social entrepreneur provided by literature, basing on their main features, values, types and ethical challenges. Drivers of social entrepreneurship will
be also briefly illustrated and the different legal forms that, according to literature, it can take. Finally, the need to better delineate the boundaries of the phenomenon in order to help data collection and make progresses in the study of the phenomenon will be discussed.

The second chapter will focus on the forms of social entrepreneurship. First, a general overview on the phenomenon from an international perspective will be provided, focusing in particular on the approaches to the topic in the US and on how social entrepreneurship developed in Europe. Afterwards, since it is not the aim of this work to describe all the numerous legal forms theorized in the spectrum of social entrepreneurship, focus will be put on the concept of social enterprise from a European perspective, pushed forward by the EMES European Research Network. The EMES approach conceives the social enterprise as the main tool of social entrepreneurship, provides its general features and places it within the overall economy and the third sector, using this concept as a guideline within the several conceptualizations of social entrepreneurship. In the second part of the chapter, attention will be given to the concept of value creation in social entrepreneurship, inquiring the concept of social value and describing the theoretical concepts of blended value, which conceives value as a whole entity, and of double bottom line, which strategically conceives value creation as distinguished between social and economic wealth. Finally, the relationship between economic value creation and the pursue of the social mission will be discussed and the different theorized models of social enterprises will be described.

The third chapter will focus on the link between social entrepreneurship and economic development. First, an overview of how the European institutions conceive the social economy and social entrepreneurship, with focus on some policies issued by the European Union, in particular the Europe 2020 Strategy and the Social Business Initiative, will be provided. Afterwards, basing on reports by different European and national research centers, it will be illustrated how social entrepreneurship contributes to social and economic development. Since social entrepreneurial activities create both social and economic value, such analysis will be carried out from both perspectives. From the economic perspective, GDP and employment measures of the phenomenon will be reported and discussed, together with some insights on the
contributions of social innovation processes. From the social point of view, it will be discussed how social entrepreneurship fosters bottom-up local economic development, with particular focus on the role of social capital in triggering innovation processes. Also, the role of the social economy and social entrepreneurship in social welfare provision, its reaction to the economic crisis and how it contributes in achieving Europe 2020 strategy goals of an inclusive and sustainable growth will be discussed. Lastly, barriers to the development of social enterprises and policy recommendations will be briefly illustrated.
CHAPTER 1. Defining the Phenomenon of Social Entrepreneurship

1.1 The state of literature on social entrepreneurship

Despite being a relatively aged phenomenon, social entrepreneurship is still considered an emerging area of research. Basically absent before the 90’s, it gained a growing importance in the last three decades, with a growing number of books and articles about social enterprise, entrepreneurs and entrepreneurship. A review by Short et al. (2009) analyzes the body of 152 articles on social entrepreneurship. Starting from the first article published in 1991, the study shows an increase of 750% in publication rate. Also Phillips et al. in their critical review of 2014 highlights the interest to the topic boomed with the recent economic crisis: from 1998 onwards, the number of articles about social enterprise, social entrepreneurship, social entrepreneur, social firm, social innovation and community businesses has undergone a significant increase, especially after 2008, with a spike in 2010.

Despite the clear and booming growth of interest towards the topic and number of literature about it, the research about it is still facing several challenges, it is still evolving and the topic is so far considered understudied. What does this amount of literature mainly deal with? Three different levels of analysis of the research streams about social entrepreneurship can be identified (Cukier et al., 2011):

- **Micro level.** This research stream focuses on the characteristics of the individual entrepreneur from the sociological and psychological point of view, stressing on their individual traits, motivation and leadership. This is the stream that dominates social entrepreneurship literature and the entrepreneurship field in general.

- **Meso level.** This research stream focuses on the processes of organization of entrepreneurship. It is generally conceived as a way to foster innovation and focuses on how the social missions are accomplished, stressing on the different stages, organizational forms, structure and aims, management and governance problems, innovative approaches in the organization of the public sector.
• Macro level. This research stream studies entrepreneurship in the light of the
global economic and social development, focusing on the structural, economic
and cultural forces that influence the phenomenon in general.

The research on the topic of social entrepreneurship followed the empirical and
theoretical pattern of the research on entrepreneurship, but still has no clear
theoretical boundaries. A lot of attentions have been given to the figure of the
successful social entrepreneur, while little research has been carried out regarding the
activities characterizing the process of social entrepreneurship, which would be more
useful. Moreover, qualitative research on the topic is the most dominant and consists
mainly of case studies, whereas quantitative research is still at its early stage (Mair and
Marti, 2006). Indeed, the review by Short et al. (2009) explored the contribution of
conceptual articles and empirical articles. They categorized the theoretical
contributions of conceptual articles into descriptive, explanatory and predictive
articles. They found out that descriptive and explanatory articles were at the moment
of the study the most present, being 38% and 55% respectively, while only 7% of the
articles had predictive characteristics with a formal theoretical proposition. There is
therefore a visible predominance of descriptive and explanatory articles covering a
huge number of phenomena and areas and mainly focusing on heroes rather than on
generalizable characteristics. About empirical articles, the findings show that empirical
work on social entrepreneurship is very limited since the number of articles is low and
they are based mainly on grounded theory and case studies approach which does not
lead to generalizable findings, and should therefore in a more mature stage also
include hypothesis tests and multivariate research methods. The authors highlight that
the development of the area of research has not undergone a satisfactory theory
development in the last twenty years and should in the future “include a balance of
studies that are generalizable, accurate and specific”. The reasons of this behavior are,
according to the authors, that the construct of social entrepreneurship is perceived as
too unsubstantial to be properly addressed and has not yet been clearly identified by
researchers. Furthermore, and most importantly, despite being so many and so varied,
these descriptive and explanatory articles still have not converged into a unified view.
The authors also state that for the progress of the field “the next two decades should
be characterized by unity in construct definition and by examining the social
entrepreneurship construct through a variety of established theoretical lenses with clear boundary conditions”.

So, social entrepreneurship still misses a consensus on the topic, which consequently leads to a lack of accumulation of knowledge, since scholars tend to work independently and not build on each other’s work. But why is it so difficult to obtain a unified view of the concept, theoretical framework and clear boundaries? One of the main reasons why it is difficult to find a shared definition of the topic is the multidisciplinary nature of the topic itself. Scholars showing interest in it often do not belong to the field of entrepreneurship and come from many different parts of society with different intentions. Furthermore, social entrepreneurship has developments and spinoffs in several areas and industries. The review by Phillips et al. identifies the array of disciplines that addressed these topics, such as entrepreneurship, general management, innovation and technology management, economics, small business research, third-sector research and policy studies. According to the review by Ireland and Webb (2007), there is a broad audience interested in the topic of social entrepreneurship and therefore it is suited to cross-disciplinary contributions and collaborations. Indeed, their research found that contribution to the research on the topic comes from different disciplines, mainly: management (26%), entrepreneurship (11%), political sciences (10%), economics (9%), marketing (6%), sociology (5%) and education (5%). The study also highlights which disciplines to that moment had shown little interest to the topic (anthropology, finance and law contributed with 1% each) or no interest at all (accounting, operations management and psychology).

A consequence and, at the same time, a cause of such a wide interdisciplinary base contributing to this field is the fact that social entrepreneurship takes different organizational forms. Scholars also agree that a factor contributing in complicating this area of research is that social entrepreneurship happens in different areas of society (and consequently has contributions from different disciplines, as stated before) and therefore, exploring literature, it is clear that it means different things to different researchers and actors of the society. For example, social entrepreneurship means something different according to the sector involved (Huybrechts and Nicholls, 2012): for governments, social entrepreneurship can be a solution to the failures of the state welfare system, especially in the form of social enterprise; for businesses, it can be a
way of exploiting a new market opportunity or the development from the socially responsible initiatives and investments; for civil society it can be a new space for hybrid partnership or a way to foster systematic social change. This is because the different perspectives that try to define social entrepreneurship are not really aiming at describing the reality of it, but are merely reflecting the logic of the actors who want to actively shape the field itself (Huybrechts and Nicholls, 2012). Also, according to some scholars, social entrepreneurship happens in the not-for-profit sector to find different funding patterns and management schemes to create social value; to others, it refers to how businesses involved in cross-sector collaborations behave in a socially responsible way; finally, to a third group social entrepreneurship is a way to foster social transformation and address social problems (Mair and Marti, 2004). The reason why social entrepreneurship can take the form of a for profit as well as a not-for-profit organization might be that the form depends on the need to be addressed and the business model adopted to address it. Also, social entrepreneurship is very embedded in the context in which it operates, with which there is a continuous interaction, and which therefore determines and shapes the forms and goals of it. The embeddedness of the social entrepreneurs in the context can thus be considered both the reason and the effect of such a variety of definitions and approaches (Mair and Marti, 2004).

1.2 Definitions

Literature provides us with countless definitions of social entrepreneurship. This confusion which is one of the reasons why it has so far been very difficult for scholars to build on each other’s work and make progresses in the research of this topic. Building a strong theoretical framework and research base on the topic is considered by many scholars important to make it possible for practitioners to put this theory into practice. There are indeed countless definitions of this concept and attempts of conceptual frameworks. Some of these conceptual frameworks will be briefly introduced in the following pages to give a wide perspective on the main debates and theories on the topic. To provide a general perspective of the definitions of social entrepreneurship, Figure 1 collects the most relevant definitions on the topic provided by literature (Dacin et al., 2010).
<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
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<tbody>
<tr>
<td>1. Alford, Brown, &amp; Leits (2004)</td>
<td>Creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations. (p. 262)</td>
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<tr>
<td>2. Austin, Stevenson, &amp; Wei-Skillern (2006)</td>
<td>Social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors. (p. 2)</td>
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<tr>
<td>3. Bornstein (2004)</td>
<td>Social entrepreneurs are people with new ideas to address major problems who are relentless in the pursuit of their visions . . . who will not give up until they have spread their ideas as far as they possibly can. (pp. 1–2)</td>
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<tr>
<td>4. Basclee &amp; McClurg (2003)</td>
<td>A social entrepreneur is any person, in any sector, who uses earned income strategically to pursue a social objective, and a social entrepreneur differs from a traditional entrepreneur in two important ways: Traditional entrepreneurs frequently act in a socially responsible manner . . . Secondly, traditional entrepreneurs are ultimately measured by financial results. (p. 3)</td>
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<td>5. Cho (2006)</td>
<td>A set of institutional practices combining the pursuit of financial objectives with the pursuit and promotion of substantive and terminal values. (p. 36)</td>
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<tr>
<td>6. Dant (2004)</td>
<td>Social enterprise differs from the traditional understanding of the nonprofit organization in terms of strategy, structure, norms, and values, and represents a radical innovation in the nonprofit sector. (p. 411)</td>
</tr>
<tr>
<td>7. Deen (2001)</td>
<td>Social entrepreneurs are one species in the genus entrepreneur. They are entrepreneurs with a social mission. (p. 2)</td>
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<td>8. Drayton (2002)</td>
<td>They have the same core temperament as their industry-creating, business entrepreneur peers . . . What defines a leading social entrepreneur? First, there is no entrepreneur without a powerful, new, system change idea. There are four other necessary ingredients: creativity, widespread impact, entrepreneurial quality, and strong ethical fiber. (p. 124)</td>
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<td>9. Harding (2004)</td>
<td>They are orthodox businesses with social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners. (p. 41)</td>
</tr>
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<td>10. Hartigan (2006)</td>
<td>Entrepreneurs whose work is aimed at progressive social transformation . . . A business to drive the transformational change. While profits are generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need effectively. Wealth accumulation is not a priority — revenues beyond costs are reinvested in the enterprise in order to fund expansion. (p. 45)</td>
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<td>11. Hough (2006)</td>
<td>Social enterprise is a collective term for a range of organizations that trade for a social purpose. They adopt one of a variety of different legal formats but have in common the principles of pursuing business-led solutions to achieve social aims, and the reinvestment of surplus for community benefit. Their objectives focus on socially desired, nonfinancial goals and their outcomes are the nonfinancial measures of the implied demand for and supply of services. (Ch. 1, p. 5)</td>
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<td>12. Hobbitt, Hagg, &amp; Quinn (2005)</td>
<td>Social entrepreneurship can be loosely defined as the use of entrepreneurial behaviour for social ends rather than for profit objectives, or alternatively, that the profits generated are used for the benefit of a specific disadvantaged group. (p. 159)</td>
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<td>13. Hockerts (2006)</td>
<td>Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission-driven public and nonprofit organizations. Thus they do not fit completely in either sphere. (p. 145)</td>
</tr>
<tr>
<td>14. Korosec &amp; Berman (2006)</td>
<td>Social entrepreneurs are defined as individuals or private organizations that take the initiative to identify and address important social problems in their communities. (pp. 448–449) Organizations and individuals that develop new programs, services, and solutions to specific problems and those that address the needs of special populations. (p. 449)</td>
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<tr>
<td>15. Laspragata &amp; Cotten (2003)</td>
<td>Social entrepreneurship means nonprofit organizations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission (i.e., the &quot;double bottom line&quot;). (p. 69)</td>
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<tr>
<td>Source</td>
<td>Definition</td>
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<td>Light (2006)</td>
<td>A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what or how governments, nonprofits, and businesses do to address significant social problems. (p. 50)</td>
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<tr>
<td>Mair &amp; Marti (2006)</td>
<td>(A) process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs. (p. 37)</td>
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<td>Martin &amp; Osberg (2007)</td>
<td>We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large. (p. 35)</td>
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<td>Massetti (2008)</td>
<td>Introduce the Social Entrepreneur Matrix (SEM). Based on whether a business has a more market- or socially driven mission and whether or not it requires profit, the SEM combines those factors that most clearly differentiate social entrepreneurship from traditional entrepreneurship. (p. 7)</td>
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<td>Mort, Weerawardena, &amp; Carnegie (2003)</td>
<td>(A) multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and key decision-making characteristics of innovativeness, proactiveness and risk-taking. (p. 76)</td>
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<td>Peredo &amp; McLean (2006)</td>
<td>Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value—&quot;envision&quot;; (3) employ(s) innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture. (p. 64)</td>
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<td>Perrini &amp; Varro (2006)</td>
<td>We define SE as a dynamic process created and managed by an individual or team (the innovative social entrepreneur), which strives to exploit social innovation with an entrepreneurial mindset and a strong need for achievement, in order to create new social value in the market and community at large. (Ch. 1, p. 4)</td>
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<tr>
<td>Prabhu (1999)</td>
<td>(P)ersons who create or manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group. (p. 140)</td>
</tr>
<tr>
<td>Roberts &amp; Woods (2005)</td>
<td>Social entrepreneurship is the construction, evaluation, and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals. (p. 49)</td>
</tr>
<tr>
<td>Robinson (2006)</td>
<td>I define social entrepreneurship as a process that includes: the identification of a specific social problem and a specific solution ... to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line. (p. 95)</td>
</tr>
<tr>
<td>Schwab Foundation</td>
<td>A social enterprise is an organization that achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of these. (<a href="http://www.schwabfoundation.org/gp/SocialEntrepreneurs/index.htm">http://www.schwabfoundation.org/gp/SocialEntrepreneurs/index.htm</a>)</td>
</tr>
<tr>
<td>Seelas &amp; Mair (2005)</td>
<td>Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society. (p. 241)</td>
</tr>
<tr>
<td>Sharir &amp; Lerner (2006)</td>
<td>(T)he social entrepreneur is acting as a change agent to create and sustain social value without being limited to resources currently in hand. (p. 3)</td>
</tr>
</tbody>
</table>
These four main factors can be identified by analyzing the definitions (Dacin et al., 2010):

- The features of the figure of the lone social entrepreneur. Such definitions have a tendency to stress on the characteristics of the entrepreneur, focusing on themes such as opportunity recognition, the ability to gather the necessary resources and to trigger change. This approach mirrors a similar tendency which was experienced by the already existing studies on the other forms of entrepreneurship and represents the base of this research on social entrepreneurship.

- The sector in which such social entrepreneurs operate and the processes and resources used. These kinds of definitions include, among others, the identification of the first actions undertaken by the entrepreneur, of how the social enterprise is set up and of which resources and processes are put into
play by them to establish such new ventures (for example the creation of social value or of economic value, or operating in the for profit sector or in the not-for-profit, etc.).

- Some studies focused on the similarities and differences between the activities undertaken by entrepreneurs and by social entrepreneurs. This approach is considered by some as more useful than focusing on the characteristics of the social entrepreneur. However, this approach still focuses on case studies of already existing cases of social entrepreneurship, and therefore can still be considered potentially biased as the other approach.

- The mission and outcomes. The mission usually includes creating social value and it seems to be a common theme across the definitions. Social value creation is connected to economic value creation, because it produces the financial resources that are used by the entrepreneur to achieve the social mission. The economic outcome therefore plays a fundamental role in the whole process of social entrepreneurship.

Some authors argue that the individual-level approach that focuses on the main characteristics of the social entrepreneur makes it difficult to distinguish it from the characteristics of the conventional entrepreneur which have been identified by the previous literature on the topic. Furthermore, some scholars believe that this approach could lead to biased observations and results, because they base on insights about particular social entrepreneurs recognized as successful. This topic will find some space in the next paragraph, because it still helps giving an idea of the phenomenon and the processes behind it.

The research that seems more promising is the one that focuses on the mission of creating social wealth and the outcomes, both in positive and negative terms, of undertaking such initiatives. It is also interesting to deepen the study of the resources involved behind the creation of social value and processes put into practice by individuals and organizations to achieve such economic and social outcomes. This approach could be indeed more useful because it allows researchers to gain insights on social entrepreneurship itself and to investigate its similarities and differences within the more general and broad field of entrepreneurship (Dacin et al., 2010). Therefore, throughout the rest of the paragraph, some of the above-mentioned topics, such as
the definition and role of the social mission and the outcomes, the processes of achieving such social outcomes in comparison with traditional entrepreneurship, will be further analyzed. It will be done by exploring its two core elements: the “social” element, which will focus on the meaning of social mission, and the “entrepreneurial” element, meaning identifying the main entrepreneurial characteristics of the phenomenon, particularly focusing on innovation. These two elements need to be considered both as separate and as in correlation to each other. This means that it is important to understand how the “social” element makes social entrepreneurship different from other kind of entrepreneurial activities, and how it differs from other socially-oriented activities that are not entrepreneurial. Also, some key elements of the process of social entrepreneurship will be compared with those of traditional entrepreneurship through the PCDO (people and resources, context, deals, opportunity) framework.

1.2.1 The entrepreneurial element

The entrepreneurial feature of social entrepreneurship has often been explored basing on the already existing conceptualization of the commercial entrepreneurship. Also in the commercial entrepreneurship case, there is no shared consensus on the meaning of this concept among scholars. Such concept has traditionally been developed on two fronts: what characterizes the entrepreneur on an individual level, and what are the entrepreneurial activities. In addition to these two fields, it has also broadly been explored the theme of opportunity recognition and exploitation. Literature on social entrepreneurship followed the same path. What makes social entrepreneurship entrepreneurial? To reply to this question, it is necessary to start by defining who an entrepreneur is, or what is meant by entrepreneurship. Following the critical review by Peredo and McLean (2006), entrepreneurship can be conceived in the minimalistic sense, the business method sense, or in a more developed sense. The minimalistic sense conceives entrepreneurs as people who start up a business, and in this sense, social entrepreneurship will simply equal a venture or a corporation with social goals. The business method approach links social entrepreneurship with the adoption of market-driven business strategy and approaches. However, a more sophisticated approach should be considered in defining what entrepreneurial means in the case of
social entrepreneurship. A more sophisticated approach is the one provided by Dees (2001), who in his seminal article states that social entrepreneurs are a kind of entrepreneur and selects a set of characteristics from different scholars which, according to him, are manifested anywhere and can therefore be applied throughout different kinds of entrepreneurship. Dees takes the element of innovation and the concept of entrepreneurs as change-agents from Shumpeter and links Druker’s notion of entrepreneurs as individuals who exploit the opportunity to Say’s concept of value creation ability. The author also recognized to Stevenson the credit of adding to the idea of opportunity recognition the concept of good exploitation of resources, regardless of how limited they might be. Consequently, basing on this literature, Dees draws the entrepreneurial characteristics of the social entrepreneur: the ability to spot new opportunities, which are recognized and relentlessly pursuit to generate social value; the willingness to continuously innovate, learn and adapt; the ability to undertake the activities despite limited resource. The entrepreneurial ability to endure risk, which has been highlighted by other scholars (Tan et al., 2003) should also be added to the list. In addition to this, Mort et al. (2006) describe another feature, stating that social entrepreneurs “exhibit a balanced judgment, a coherent unity of purpose and action in the face of complexity”. According to the authors, this feature makes social entrepreneurs able to handle moral complexity and to take into account and balance the interests of all the stakeholders involved.

In sum, the features that make social entrepreneurship entrepreneurial can be listed as follows (Peredo and McLean, 2006):

- Risk-tolerance;
- Opportunity recognition;
- Innovativeness;
- Resourcefulness;
- Balance judgment and steadiness of purpose.

*Social Innovation and market orientation*

Nicholls and Cho (2006) focused in particular on the Schumpeterian narrative, which focuses on the role of the entrepreneur as an innovator, and on the approach by Casson, which focuses on market orientation.
Innovation can be considered one of the entrepreneurial characteristics which distinguishes social entrepreneurship from other kinds of traditional social service providers. The Skoll Foundation embraces this kind of vision of social entrepreneurs as individuals that proactively act to improve society, and indeed defines them as “change agents for society, seizing opportunities others miss and improving systems, inventing new approaches and creating sustainable solutions to change society for the better.”. Social entrepreneurs are therefore basically social innovators, change agents that address social issue and trigger systematic change.

Also Alvord, Brown and Letts (2004) analyzed the process of innovation in social entrepreneurship and underlined that it is characterized by three types of innovation:

- **Transformational**: this kind of innovation acts on local norms and roles to enhance the cultural context through the building of local capacity;
- **Economic**: this kind of innovation aims at transforming the economic context and circumstances by providing resources and methods through the development of bespoke “packages”;
- **Political**: this kind of innovation aims at giving relevance and more political power to minor communities through the creation and mobilization of local movements to challenge power.

Also the market orientation element, according to Nicholls and Cho, helps differentiating social entrepreneurial organizations from other social purpose activities. By market orientation the authors mean “the dimension of entrepreneurship that entails rationalizing strategic operations in response to exogenous variables traditionally conceived as competitive market pressures”. This feature is important to social entrepreneurs as it enables them to exploit the resources available to reach their social mission in the most effective and efficient way within a market. This feature is particularly interesting for those approaches to social entrepreneurship that include and study organizations which combine the pursuit of a social goal with a commercial and independent income revenue.

**Social entrepreneurship and social innovation**

It is important at this point to distinguish between social entrepreneurship and social innovation. Social innovation is also an emerging field of research and has been
receiving a lot of attention recently. Nicholls (2010:247) distinguishes between three types of social innovation:

- Institutional innovation, which consists in the reconfiguration of existing tools and frameworks to address social issues;
- Incremental innovation, which consists in addressing market failures more effectively or efficiently by enhancing already existing goods and services;
- Disruptive innovation, the goal of which is systematic change, being it the transformation of power relations, hierarchies, etc., though social movements and organized mass participation.

Social innovation in general is defined as finding new solutions to social needs. This concept shares many characteristics with social entrepreneurship and often the two concepts overlap. However, there are some features what can help distinguish the two topics. The concept of social innovation conceives innovation in a much broader way than social entrepreneurship does: social innovation can happen in every sector and does not require the entrepreneurial elements such as market orientation. As a consequence, while both social innovation and social entrepreneurship share the social and the innovation element, the former lacks the entrepreneurial element and does not require market orientation. Social innovation can thus be considered as an “umbrella term” that includes the area of social entrepreneurship, together with other socially innovative initiative that are not entrepreneurial (Huybrechts & Nicholls, 2012).

1.2.2 The social element

The focus on the social mission is one of the main characteristics of this phenomenon. The social focus can mean exploiting the opportunity to create social value or address an unmet social need, which are a form of social market failure. Of course, all entrepreneurial activities in general do have some kind of social effect. It can simply be some kind of positive (or negative) externality, such as employment and income. Or it can have some bigger impact on society, as it happen with, for example, the huge revolutionary force that companies like Amazon had on people’s lives. Therefore, it is important to notice that the social value pursued by social entrepreneurs reaches beyond what normal profit-seeking entrepreneurs usually produce, as social value creation constitutes the core mission of the organization itself. Therefore, sociality
intended as the advancement of social objectives concurs in differentiating social entrepreneurship from other organizations. There have been some attempts to define this social element. For example, Mort et al. (2003) describe how social entrepreneurs are different from their commercial counterparts, and, in particular, they state that social entrepreneurs show entrepreneurially virtuous behavior while attempting to deliver higher social value compared to the social value delivered by competitors, feature that makes social entrepreneurship “social”. The authors argue that the social entrepreneurship’s “spiritual or virtue” dimension is what often commercial counterparts lack. This virtue dimension is traditionally hard to define. Nevertheless, the authors define it basing on three dimensions:

- The agent is acting on purpose, which means that the virtues action is intentional and not coincidental;
- The virtuous action is done because of its own sake and not for any other reason;
- The agent must continue to act virtuously until the action itself is habituated.

Despite this interesting attempt to describe the virtue dimension of social entrepreneurship, the social element remains quite problematic to define. Addressing this element rises two questions (Nicholls & Cho, 2006): which goal can be considered social? And to what extent does an organization pursue these goals? The social is already a contested and complicated category itself. Nevertheless, it is important to define it in the context of social entrepreneurship, given that it is what supposedly makes this kind of activity different from other forms of entrepreneurship, not to mention that social objectives are indeed the core goals of organizations labeled under this category.

*The social mission*

The social mission has also been defined by Nicholls (2006b:227) basing on three operational dimensions ways: the operational context; the operational processes; outcomes and impacts.

As far as the operational context is concerned, the main operational areas where change happened due to the action of social entrepreneurs throughout history have been identified (Bornstain, 2004). These areas, which often overlap, are:

- Poverty alleviation;
• Health care;
• Education and training;
• Environmental preservation and sustainable development;
• Community regeneration;
• Welfare projects;
• Advocacy and campaigning;

These areas can be combined with some social objectives common to many cases of social entrepreneurship that have been identified by Smallbone et al. (2001), which are:

• To provide goods and services which the market or the public sector is either unwilling or unable to provide;
• To develop skills;
• To create employment;
• To foster pathways to integrate socially excluded people.

The context in which social entrepreneurship happens are varied and complex. They can be found in the intersection between the three states of society, which is to say the public sector, the civil society and the market, where social entrepreneurship usually evolves. As said before, one of the drivers of social entrepreneurship is a perceived social market failure that is not properly addressed. Social market failures in which social entrepreneurs traditionally operate can be classified as follows: grassroots, institutional, political, spiritual and philanthropic (Nicholls, 2006). To each market failure also a dedicated social entrepreneurial approach can be identified. Grassroots social market failures come from missing support from institution at micro or macro level which calls for community reaction. This social entrepreneurship comes from social movements, such as the ones that rose during the 19th century and is now well exemplified by cooperatives that cooperate to create political and economical power transformation, especially in the developing countries. Institutional social market failures originate from a changing macro-social situation, the solutions to which tend to be on a large scale. This kind of social entrepreneurship can thus be considered normative, because it works inside existing institutional norms which the entrepreneurs want to innovate. Political market failures consists of a failure from the
government in providing public goods. The reaction to this kind of failure from social entrepreneurs can happen both from inside or outside the government. Within the government, social entrepreneurship can consist of reinventing government by making public sectors more efficient and effective though the application of business rationale. Outside the government, social entrepreneurship can be seen in the mixture of public and private models forming hybrid organizations. Religious market failure appears with the decline or structured religious organizations that traditionally have an important societal role and impact within some cultures. In this case, the reaction of social entrepreneurs can consist in mobilizing faith communities and resources to address social problems. Lastly, philanthropic market failure rises from supply-demand imbalances of resources in the philanthropic organizations. This gave rise to the model of venture philanthropy, which is basically a kind of application of the principles of venture capitals to not-for-profit organizations. All in all, these operational contexts in which social entrepreneurship usually engages makes it different from other social organizations and business activities.

It is however relevant to further analyze the processes, outcomes and impacts. As far as the operational processes are concerned, social entrepreneurs give priority to the social goal, which might be more than one, and therefore focus on social innovation and opportunity recognition and exploitation. Social innovators therefore want to address the interest of all the stakeholders and seek to create social impact along all the steps of the value chain. Addressing all these goals with lack of resources forces social entrepreneurs to chose the institutional form that better allows them to reach their mission in the most effective and efficient way and often makes them arrive to innovative transaction paradigms. Furthermore, the attempt to satisfy all the stakeholders with lack of resources could have as a consequence on the process a mission drift, uncertainty in the strategic planning and operational dysfunction. Together with this processes problematic, outcomes show some difficulties in estimation. Social entrepreneurial activities prioritize the creation of social capital to the creation of the traditional and better understood of capital wealth. This social capital can also consist of assets that give access to other forms of capital, for example financial or physical. These assets can consist of relationships, networks, cooperations, trust, and so on. Although there are some theories on how to estimate this kind of
capital, they are still not widely accepted and used. This is naturally a barrier to the development of tools and best practices available to social entrepreneurs, which so far have difficulties in estimating the degree of success, failure and impact of their organizations. This problems could also lead to a difficulty in strategic planning and therefore undermine the long term sustainability of the organization and its social impact goals.

1.2.3 Social entrepreneurship and mainstream of entrepreneurship

The tendency to start the analysis on social entrepreneurship basing on existing theories of commercial entrepreneurship lead scholars do elaborate comparisons and try to decide if social entrepreneurship is actually a different kind of entrepreneurship. For example, some scholars do not agree that social entrepreneurship actually deserves to be considered as another kind of entrepreneurship, especially when comparing it with other already theorized types of entrepreneurship: conventional entrepreneurship, institutional entrepreneurship and cultural entrepreneurship (Dacin et al., 2010). Focusing on conventional entrepreneurship, the authors state that most of the cases brought up by literature as examples of commercial entrepreneurship might as well be mentioned as social entrepreneurship cases, which pursue the creation of economic wealth, but could be considered a social venture when further analyzing its mission, activities and processes. As far as the access and use of resources and innovation, the authors argue that social entrepreneurship might as well belong to the category of commercial entrepreneurship. However, social entrepreneurship is interesting because it brings to the public attention the importance of bringing together in the management both the social and economic concerns and the attention to all the stakeholders’ needs.

Another perspective is provided by Nicholls (2006a), who identifies three key aspects that differentiate social entrepreneur from the commercial one:

- While they both extensively use networks to access resources and strengthen the organization position, the social entrepreneur would also use it to enhance the social impact of the organization and create more social value. This has also implications on how the stakeholders are conceived by the social entrepreneur, who would give priority to having a positive impact on actors both within and
without the organization rather than prioritize strategic objectives or company growth and stability.

- Social entrepreneurs act within a broader and more dynamic landscape with respect to business entrepreneurs, because they would use any strategy in order to achieve their social mission: they would look anywhere for resources and alliances and use the organizational form that suits the social mission best. This is also why growth is conceived differently as well: since wealth creation is not a priority, also growth is not considered necessary and it is put in a second place compared to the reaching of the social goal.

- Social entrepreneurs often are also politically active, being for example activists and campaigners. They act as leaders to obtain the engagement and support in order to catalyze innovation and change so that the social mission can be achieved. Since the goal is not their own benefit but the benefit of the community, the society or, in general, all the stakeholders, the aim of social entrepreneurial organizations is to go “out of business” when the social need has been addressed. This feature implies a different concept of performance measurement. Social entrepreneurship performance should be measured by its social value and not its commercial value, and the financial and non financial stakeholders network is generally wider and more varied. Therefore, this complexity makes it so that there are still not reliable tangible and quantifiable measures of performance. Social change is difficult to measure because of “nonquantifiability, multicausality, temporal dimensions and perceptive differences of the social impact created” (Austin et al., 2006).

These differences are further explored by Austin et Al. (2006), who focus their comparison between social and commercial entrepreneurship basing on the PCDO framework. They therefore compare the role of people and resources, context, deal and opportunity in commercial and social entrepreneurship, highlighting the differences in the process. The four dimensions are separately explained below.

**Opportunities**

Opportunities are conceived as a desired future state different from the actual one. Such desired future state is considered possible to achieve and, in order to do so, scarce resources need to be mobilized to obtain future returns. This is true for both
commercial and social entrepreneurship. However, some differences can be found. Commercial entrepreneurship aims at addressing new or sudden needs, and therefore opportunities will be found where the industry is attractive and the market is growing. On the other hand, social entrepreneurship wants to address long lasting and basic needs in an innovative way, so the market will simply be where the social need or the market failure is. Therefore, while attractive opportunities for profit or growth might be relatively hard to find for commercial entrepreneurs, opportunities for their social counterparts are quite easy to find, to the extent that demand often exceeds the offer coming from social entrepreneurs. The issue here is not about finding the opportunity, but rather rising the resources to innovatively address these needs and keep up with the often increasing demand. Indeed, social entrepreneurs do not necessarily focus on the growth imperative, but rather on the long-term impact. The success is not linked to scaling up but to achieving the social mission. Therefore, if growth and success do not fit together, either because scaling up threatens the success of the social mission or makes it drift, the latter is prioritized to the former. This differences in vision and priority obviously also changes the way opportunities are perceived.

Context
The external context is defined as the factors that have an effect on the type and outcome of the opportunity itself, but cannot be controlled by the management of the organization. These factors include, for example, the regulatory system, taxes, macroeconomic factors, the sociopolitical environment, etc. The context can be considered as equally important in commercial and social entrepreneurship. Indeed, social forms of entrepreneurship are highly influenced by economic activity and by government regulations just as much as their commercial counterparts. It can be brought as an example the fact that nonprofit funds are invested in the stock market, or the philanthropic capital generally comes from commercial entrepreneurship activities, or that social entrepreneurship usually also relies on tax facilitations or other forms of support from the state. Nevertheless, the authors argue that the effect of the context on social entrepreneurship is different because the entrepreneurial behavior is effected by the mission and system of performance measurement. Social entrepreneurial activities interact with the market in a different way, so that it can be stated that market forces do not react so heavily or rapidly on the organization’s
performance, meaning that it does not reward or punish it as much as its commercial counterpart. Indeed, since social impact is so far quite difficult to measure, organizations might not be rewarded by the market or by other actors accordingly. This is true also the other way around, so that poor performance as well is not spotted or punished as much and as quickly as the commercial one is. Indeed, a social entrepreneurial activity might exist even if its performance is poor and it would survive for a longer time compared to commercial activities. This is because the focus is on the social mission and not on accountability, so there is a higher level of forgiveness and error margin.

Another feature that shows how social entrepreneurship reacts to context differently is that even if the context is not welcoming, the social entrepreneurial activity can still achieve some success. This happens also because the selection mechanisms for success by the market are less intense and tend to happen after a longer time period. It should also be underlined that it is often the case that social entrepreneurs decide to act exactly because the context is unfavorable. In truth, it is to be expected that the more the context is negative, the more opportunities rising from social needs should be growing in number, and here is where social entrepreneurs come into action to make innovative social impact happen. Since the social problem is deeply embedded in the context, the aim of the social entrepreneur might as well consist in changing the context itself. Moreover, impacts of the context on social entrepreneurship are not as obvious as they are on commercial entrepreneurial activities and are therefore often ignored. As a consequence, not only threats might not be spotted, but also opportunities might not be seized, for example by paying attention trends in nonprofit funding to get more.

All in all, given all the characteristics described above, it is clear how social entrepreneurs react to the context differently. However, the authors underline how being proactively attentive to opportunities and threats coming from the context could help in developing a better strategy for the long-term success of the social mission.

**People and resources**

It consists on human and financial capital, and they are essential to both commercial and social entrepreneurship. Indeed, social entrepreneurs rely just as much on networks to gain access to key resources such as funding, employee, and so on, and to
do so they need to have a good reputation that inspires trust and engagement to the social mission of the organization. However, even though there are some similarities, there are some significant differences in the management of human and financial resources, and this is especially because of the difficulties in mobilizing the resources. Indeed, social entrepreneurial organizations are often unable to pay market rates for hires or other forms of equity incentives, unless the organizational form is a for-profit. This is why they often rely on volunteers both at the board member and at the employee level. The capital market of philanthropic organization is generally very fragmented because it comes from different sources that have a variety of different interests and motivations. The philanthropic market does not have the same flexibility, specialization and sources of its commercial counterpart. Commercial entrepreneurs have a lot of organizational freedom and several financial institutions at their disposal to provide them with the resources they need according to the stage of the evolution of the firm. Also, the main motivation to ask and provide financial resources is only increasing profit or gain a return on investment. On the other hand, social entrepreneurs generally rely on fewer funding channels that can provide access to unrestricted resources, and often cannot avoid using it but need to continuously rely on donors, at least partially. They also are not as flexible in strategy and offer as commercial entrepreneurs, because they need to stick to the social goal, to which the funding are tied. Therefore, even if the nature of financial and human resources necessary for success are similar for social and commercial entrepreneurship, the former has to face more limitations, and sometimes chose to have a for-profit institutional form to overcome them, at least partially. It is consequently crucial for social entrepreneurs to establish a strong network of supporters and to effectively communicate their social mission to engage supporters and unlock the access to fundamental resources outside the organization. As a consequence, social entrepreneurs need to manage a wider and more varied amount of relationships, which often also includes other nonprofit or business organization or government with which they need to cooperate in order to reach the resources they need, for example develop capabilities or collaborate to deliver a service. Indeed, often social entrepreneurs conceive other organizations serving the same need as both competitors for funding and strategic ally to achieve the social mission. This is
important to scale the organizational capacity of the social entrepreneurial activity. Social entrepreneurs therefore have to develop relationship and political management skills and make it so that also the staff inside the organization has them, so that they can effectively mobilize resources which are inevitably outside the organization’s boundaries and control, but are of outmost importance for the achievement of the social mission.

**Deals**

This concept consists of contractual relationships between the entrepreneurial organization and the resource provider which are beneficial for both sides and fundamental for both social and commercial entrepreneurs. However, due to the difficulties in measuring performance and how the resources are mobilized, the terms of the deals are different for social entrepreneurs compared to commercial entrepreneurs in terms of the value exchange involved. The authors identify value exchange differences in terms of kind, consumer, timing, flexibility and measurability.

As far as kind of value exchange is concerned, since social entrepreneurial activities usually lack financial resources to reward others, they need to engage with more creative strategies to compensate and deal with a very heterogeneous group of stakeholders, such as nonpecuniary motivation of employees. Many differences can be found also about the transactions with the final consumer of the goods or services of the social entrepreneurial organization. Their final consumer often has little economic power, so usually this causes an economic void which the social entrepreneurial activity is on beforehand aware of and fills with donors or other sources. Therefore, the funders can be considered as the main clients of such activities.

As far as timing and flexibility are concerned, social entrepreneurial organizations usually receive many smaller amounts of funding and for a shorter time compared to their commercial counterparts. Therefore, social entrepreneurs have to dedicate a lot of time into managing this plurality of resources for their daily basis activities and manage the pressure of having coverage only for a short time before having to find some more. Also, these investors have difficulties in accounting the return of their investment because of the issue of measurability and therefore factors that align the interests of the many stakeholders involved are difficult to define. Measuring and
quantifying the social impact is difficult because of many factors, such as the long-term impact, the nature of the social issue to address itself, the context it is embedded in, and so on. For this reason, the social mission itself is usually the main reason for several stakeholders to help the organization. However, due to this fact, donors often decide to finance the organization but at the same time put more demands in exchange, so that they can reach their goals, for example a board position, etc. This fact obviously contributes in complicating deal making for social entrepreneurs.

For all the reasons listed above, reaching a deal with such a plurality of stakeholders and aligning everybody’s interests and goals is significantly more complex for the social entrepreneur, who has to weight each deal, manage a portfolio of resources and create an effective strategy to achieve the social mission.

"Figure 1: Social Entrepreneurship Framework"

![Figure 1: Social Entrepreneurship Framework](image)

*Source: Austin et al. (2006)*

The authors started from the PCDO framework to analyze the phenomenon of social entrepreneurship, and, on the light of their statements, they developed a framework for social entrepreneurship (Fig. 1).

In the top there is the opportunity element, which is from where entrepreneurship starts, according to the authors. Below there are the variables of people and resources, which are considered as quite different from commercial entrepreneurship and from
each other. These three variables overlap and at their intersection there is the social value proposition, which is at the core of the social entrepreneurial activities and depends on and simultaneously shapes the other three variables. All around there is the context, which consists of forces that need to be continuously considered and checked by the entrepreneur, which are the regulatory and socio-cultural system, tax regulations, macroeconomics, demographics and political factors.

1.3 The figure of the social entrepreneur

As mentioned before, literature on social entrepreneurship has been stressing very much on the features of the social entrepreneur as the main actor of this phenomenon. It therefore seems appropriate to briefly illustrate some contributions on the topic, highlighting the main features of the social entrepreneur and how it effects the process of social entrepreneurship.

1.3.1 The characteristics of the social entrepreneur

A lot of literature focuses on the characteristics of the social entrepreneur. What makes a successful entrepreneur? Leadbeater (1997) describes the social entrepreneurs with the following features: entrepreneurial; innovative; transformatory; leaders, storytellers, people managers, visionary opportunists and alliance builders. These features will be described below.

- **Entrepreneurial**: they take unexploited resources and seize opportunities and use them to address unsatisfied needs;
- **Innovative**: they offer new services and goods and solve problems differently, often by combining approaches in uncommon ways;
- **Transformatory**: they change not only institutions and organizations they are responsible for and make them dynamic, but also, and most importantly, they foster self-development in the community they work in;
- **Leadership**: they set a goal and mobilize people so that the mission is pursued. Creating a sense of mission is particularly important when the mission is social. While in for-profit organizations the sense of motivation is given by measurable kinds of value, such as profit or market share, in no-profits the direction is given
by a strong sense of purpose, which is what staff, donors and clients look up to when physical or financial assets are missing. Social entrepreneurs need to be skilled at setting the mission as well as managing it. Such mission needs to be related to unmet needs of the target population, should not be abstract and undefined, but challenging and ambitious. Therefore, successful social entrepreneurs set a demanding goal that pushes them to innovate the organization and go beyond their limits, that involves the employees and makes them think radically. To gain support from all stakeholders, the mission should be concrete and clear, but flexible so that strategy and growth are possible. To keep the support they need, social entrepreneurs should show that the organization can grow;

- Storytelling: the above-mentioned mission has to be properly presented, and to do so, successful social entrepreneurs need to be good storytellers. Unlike business entrepreneurs, social entrepreneurs cannot base their story on analytical data and economic reasoning to make people engaged and committed to the mission. They need to be persuasive and convey their values and motives in a different way, often using stories and personal experiences, in order to convince and engage others in the same mission;

- People: social entrepreneurial organizations base mainly on human capital, as often the other resources are lacking, especially at the beginning. Consequently, social entrepreneurs recognize employees, donors, customers and supporters as key resources to be managed accordingly, putting people and resources ahead of plans and procedures. Social entrepreneurs thus have to select carefully the staff and keep good relationships with stakeholders in general;

- Visionary opportunists: even though they need to convey their goals stressing on values and morals, they also behave opportunistically and pragmatically without getting stuck with prior plans. Indeed, social entrepreneurs are visionaries, but still realistic about the issues their customers need to solve, and therefore would chase opportunities that come along even if they do not fit the original plan;
Alliance builders: since social entrepreneurial activities usually do not have many resources to begin with, they rely on a network that can help them. Consequently, social entrepreneurs need to be socially confident and skilled at networking and relationship building. To do so, they need to be ideologically open and flexible, cooperating with who can help their cause regardless of political ideology. Their intellectual malleability is also one of the reasons why they are keen at innovating.

Despite all these outstanding skills, social entrepreneurs often lack some fundamental abilities. According to the author, social entrepreneurs might need to enhance their analytical and executive skills to deal with bigger and more complicated ventures with broader financial commitments.

One issue that often emerges is the matter of succession. Who is going to lead the venture when the funding social entrepreneur retires? There is the need to grow a new generation of social entrepreneurs who can and want to keep on managing what was started before, and the social entrepreneur needs to make sure that that happens. Indeed, social entrepreneurial entities do not work like businesses, where the next leader can be found by board members, or where the small firm can be sold to another one. In social entrepreneurship, another leader cannot be simply found from the outside and there is no market where such organizations can be sold. Therefore, to keep the organization long-lasting, succession mechanism need to be found within.

Another issue is the one of scalability. Indeed, to scale social entrepreneurial organizations, not only financial resources are needed, but also and most importantly managerial capacity. It is indeed rare to see such organizations reach national or international levels. This might also be because they are very embedded in their context, they serve their community finding appropriate solutions to their local problems, and therefore are difficult to reproduce elsewhere. But also, social entrepreneurs often miss the skills to manage an organization on a big scale.

*The values of social entrepreneurs*
Another interesting insight is given by the European research project SELUSI (2011). The figure below explains the findings of an action-oriented experiment to compare the value profile of social entrepreneurs with the one of mainstream entrepreneurs and employees.

Figure 2: Social entrepreneurs, mainstream entrepreneurs and employees value profile

![Figure 2: Social entrepreneurs, mainstream entrepreneurs and employees value profile](source: SELUSI (2011))

Figure 2 shows some differences between social and mainstream entrepreneurs regarding values. A few values do show similarities, such as self-direction and benevolence. Others are quite different. For example, social entrepreneurs value more stimulation and universalism and do not value power, security, conformity and tradition as much as traditional entrepreneurs do (with the same age, gender and educational level). Such results intuitively match the expectations of an image of social entrepreneur: someone who cares about others’ wellbeing, tends to behave and think independently and freely, looks for challenges, innovation and go beyond established norms. Indeed, this is in line with the nature of what they do for a living, pushing for
impacting social change using business approaches, even in unwelcoming environments.

The values at the core of social entrepreneurs can help understand how these individuals manage their organizations and trigger innovation processes. As far as effects on their managerial practices are concerned, one of the studies demonstrates that those social entrepreneurs who give high importance to value like universalism and benevolence and negatively values power and conservation tend to establish participatory practices at work.

Another study highlights how social entrepreneurs’ values influence the way in which they spot social innovation opportunities. The study demonstrate that different value profiles systematically influences the type of innovation opportunities identified.

Also, another experiment in the same research project shows that social entrepreneurs who lowly valued conservation values, such as tradition, security and conformity, and highly valued openness to change values, such as self direction, achieved higher levels of creativity.

### 1.3.2 Types of social entrepreneurs

Literature also classified social entrepreneurs basing on their characteristics, processes and missions. For example, Nicholls (2006b:235) distinguishes between two types of social entrepreneur basing on their strategic approach to address the social problem: critical and normative social entrepreneur. Critical social entrepreneur come into action to create social value from goods that the commercial market does not value. To do so, they have to challenge the status quo and trigger a critical change, as it happened with the famous example of the micro-credit revolution. As far as normative social entrepreneurs are concerned, they seek social change inside the existing framework instead of aiming at systemic change.

Another important contribution comes from Zahra et al. (2009), who illustrate that there are different types of social entrepreneurs who have their way of solving specific kinds of social needs. The authors therefore identify three kinds of social entrepreneurs: Social Bricoleurs, Social Constructionists and Social Engeneers. This classification obviously does not completely explain the variety of social entrepreneurship, but allows the authors to identify the main similarities and
differences among the phenomenon. These three types differ mainly for the way in which they discover social need, how the catch opportunities and use resources to pursue them, and how they impact the society in general. These three kinds of social entrepreneur can also represent the evolutionary process of social entrepreneurship, from local to a large-scale changing phenomenon.

**Social Bricoleurs**

Bricolage in entrepreneurship means that the individual would use whatever resources or tools at his disposal in order to exploit opportunities and achieve his mission. As far as social bricoleurs are concerned, they use local resources to find and pursue local opportunities, and that is because they know well the resources and the environmental conditions of the place. They are important because they can spot social needs which would not be recognized otherwise by more distant and more powerful actors. They are therefore in the unique position to provide small scale solutions to these problems using their unique expertise and skills, thus preventing from the formation of local major social issues and helping maintaining order. These social entrepreneurs are therefore skilled in putting together and exploiting local resources using tacit and localized knowledge and, unlike many other types of entrepreneurs, do not require external partners and are thus more flexible and independent. This is also why social bricoleurs can enact improvised strategies, react readily to the changing environment and are efficient at self-correcting. For this reason, however, they do not address social needs on a larger scale or geographic setting, but stay local instead. This small-scale feature is also why they are quite difficult to locate for researchers and to be recognized and supported by governments and organizations, even though they have an important role worldwide.

**Social Constructionists**

Social constructionists create social wealth by pursuing opportunities and setting up ventures which address social needs not yet satisfied by existing organizations. They are often characterized by boldness and innovation, opportunity alertness, and the fact that they manage the organization as if they can foresee the future and make the desired future state happen. They aim to scale up their organization so that the scope
of their mission can grow as well to regional, national or even global level. They do so by developing a strategy and planning so that their solution can become scalable to a growing demand and transferable to another context. Unlike the social bricoleurs, their ability is therefore not in using local and tacit knowledge, but in finding and pursuing the opportunities that make it so that processes to generate social wealth can be enacted and reconfigured. Social constructionists do not compete in the delivery of their social mission, but they do compete to gain access to the resources they need, especially considering how many financial and human resources and efforts are needed to scale up their organization. These resources are mostly coming from governments, NGOs and charitable foundations. However, social constructionists often collaborate with not-for-profit and for-profit ventures in order to generate mutually beneficial outcomes, which for them means creating, sustaining and scaling up their own organization. Acquiring resources coming from so many different sources can generate problems and barriers or even make the venture drift from the original social mission. So does the influence that donors might have on the organization, which might want to have a say in how the funding is used or control on the venture. Social constructionist therefore do not enjoy the same flexibility and freedom and readiness as social bricoleurs. Indeed, it can be challenging to manage financial sources, relationships with a variety of stakeholders, and staff without facing the risk of a mission drift. Nevertheless, social constructionists would find a way to raise funds and manage human resources so not to divert away from the primary social mission.

**Social Engineers**

Social engineers are entrepreneurs who address social needs which cannot be satisfied within the existing institutional framework. They differentiate themselves from the previously described two kinds of social entrepreneur because they spot systemic problems and consequently bring forward revolutionary change that innovates the social system itself. They therefore act as change-agent that triggers systemic innovation or enacts creative-disruptive processes into the existing framework to make social change happen. Their revolutionary ideas can be considered as subversive because they might have an ideological base and are usually a threat to already established institutions. Since they lack legitimacy but have at the same time a broad
scope of their mission, they need to acquire popular support. Therefore, their possibilities to successfully trigger this systemic transformation depends on their ability to gain sufficient legitimacy and political power. Often strategic alliances catalyzed by such entrepreneurs are necessary to address these social issues and make public institutions’ behavior change accordingly, or just raise awareness on the existence of some problems so that others might actively become change-makers.

1.3.3 Social entrepreneurs and ethical problems
Zahra et al. (2009) discuss the issue of ethics in social entrepreneurship. When discussing social entrepreneurship, the topic of ethics rises some concerns, especially when thinking that some market models or business methods can ideologically and practically oppose the ideals at the base of NGOs, no-profits and public sectors which tackle societal problems, not to mention that competition can be harmful to the traditional social models. No-profits’ models indeed usually embrace values such as transparency, due process, community participation, etc. However, applying business methods to social ventures might make social entrepreneurs fail to use these core values. Indeed, pursuing social and economic value creation, which includes a for-profit part in the social venture, raises ethical concerns, in particular from donors and stakeholders, of potential drifts in the social venture. The authors underline the importance for social entrepreneurs to adopt effective control mechanism to avoid unethical behaviors, to pursue social value maximization, and not get distracted by the opportunities to enhance financial incomes which might threaten the highest achievement of the social mission. For example, business strategy might lead to not include some customers in the service provision in order to make the service competitive, sustainable and efficient, therefore not addressing some potentially important needs and incurring in ethical problems and failing to satisfy all stakeholders.

Even if social entrepreneurs motives might be led by ethics and willingness to enhance the social conditions, they can act egoistically and end up following unethical practices. Following, it will be illustrated how, according to the authors, the three social entrepreneur types deal with unique ethical problems, which are mainly influenced by
three factors: the resources, their motives and the governance and control framework which overlooks their behavior.

**Social Bricoleurs**

Since their interest and action is local and small-scaled and their motives are mainly solving the problems of their community, their ambitions are restricted as well as the possible bad effects of their operations. Since they do not need to gain resources from the outside, they do not need to obtain them in unethical ways in order to keep the organization running. Also, their behavior and the way they manage the organization is watched over by the local community itself, which gives the entrepreneur the legitimacy to operate. However, problems can arise regarding the allocation of the social product or service created by the organization, more specifically about how to allocate the social wealth created, and who and how should have access to such value. This problems arise also because social value and the effectiveness of the operations of social ventures are difficult to estimate. Consequently, when social bricoleurs act in the for-profit sector, ethical concerns rise about how to manage the financial reporting and cost accounting, also because it is difficult to determine whether social bricoleurs are generating social value at all, and if so, when and how. Given their small scale and the scarcity or total lack of formal controls, there might be dysfunctional agency problems in their ventures, such as concentration of power, irregular payments, and the pursue of egoistic goals.

**Social Contructionists**

The motives driving social contructionists are complex since they aim at creating social wealth and at the same time create a new equilibrium on a large scale to replace the existing situation of imbalance and trigger reform. To achieve large-scale social impact, often egoistic behaviors are required. To introduce broad scale innovations, gain support or access to resources, achieve their higher social goal or keep the venture going, egoistic or somehow unethical behavior might be required, such as manipulation or coercion to gain acquiescence and sustain, lies to obtain funding and support, and so on and so forth. Whether the goal justifies the means is obviously questionable, so these kind of behaviors often raise ethical concerns. Since not only
how much wealth is created matters, but also how this scalability is obtained, also conflicts might happen when the social constructionist works with others who are equally committed to obtain the same social value, and aims at maintaining their support for the same cause. In the end, when such conflicts arise or questionable behaviors are evident, different social goals and a lacking control on the venture might force social entrepreneurs to explain their performance or negligence to the stakeholders and donors.

**Social Engineers**

Being the most subversive, visionary and motivated among the three type of entrepreneurs described, to social engineers breaking the rules and putting their goals and needs ahead of the venture itself is likely to be considered necessary and, therefore, legitimate. Nevertheless, even if they are convinced of doing good, their ideal might be too revolutionary or against the existing social norms, or even socially deviant and merely pursuing the social engineer’s personal agenda, creating social changes which could end up damaging the public good instead of adding social value. They need to have unbounded faith in their mission to change society, but it could have negative effects, creating tensions and conflicts which are immune to constraints and control.

**1.4 The drivers of social entrepreneurship**

What are the reasons that led to the rise of social entrepreneurship as we know it and to a growing attention by so many different part of society? All in all, literature recognizes two main reasons behind the rise of this phenomenon, which is welfare state crisis and the growing competition within the not-for-profit sector. Together with the decreasing economic growth rate that characterized mature economies during the 20th century and the growing unemployment, the 80’s social strategies have been characterized by a retreat from the previous welfare state system and the social services privatization and decentralization. This trend naturally left many social needs unsatisfied or poorly served. Also, public grants to NGOs and such went diminishing for the same reason, while their number and the global demand for their services was
growing. This lead to a growing mismatch between the needs of civil society organization, not-for-profit entities, etc., and resources available to them. As a consequence, organizations had to look for a different approach to deliver their social value and therefore had to adopt entrepreneurial methods to achieve their social goal: this concurred in the growth of the social entrepreneurship phenomenon.

Many other drivers have been identified, and they can be categorized into demand side and supply side (Nicholls, 2006b: 236).

The demand side can be described as the global crisis that characterize our era. These include different macro-areas, such as the environmental crisis, which includes global warming, environmental catastrophes, pollution, mass animal extinctions, the use of resources, and so on; health crises, such as pandemics or food scarcity; economic crisis, such as increase in inequality, or all the consequences of the last 2008 financial crisis. The demand side basically consists of social market failure, where there is a gap in efficient and effective service providers, which might be caused by public service and government inefficiencies, or the retreat from the government in welfare provision on the base of free-market ideology, and so on.

At the same time, there has been some changes on the supply side, particularly during the 20th century in the developed countries. Indeed, during the 20th century an increase in per capita income of 700% was registered, which lead to the emergence of a numerous middle class. Furthermore, technological innovation also increased life expectancy. Therefore, there are now wealthy people with free time and resources available to dedicate to social issues. Also, there have been many societal changes that made knowledge and means available for people to actively address social problems, such as the growing education availability and level, the increased access to the internet and the development of modern communication technologies, etc. This global connectedness therefore enabled citizens to both understand and consequently address social and environmental issues.

Linked to these cultural and economical changes, from the sociological point of view, some authors talked about the rise of the “cultural creatives”, a socio-cultural group which was described by P. Ray and S. Anderson in their book in 1995. This socio-cultural group is formed by people who experience a shift in ethical values and are the expression of a significant ongoing cultural change starting around the 60’s with the so
called silent revolution. These people are characterized by the vision of the world as an interconnected space and share some values and goals, such as spiritual and personal development, attention to the environmental issues and the use of resources, the idea that humanity should be considered at the center of the society, and the interest towards innovative solutions to environmental and societal problems. According to the authors, this phenomenon is spread throughout the whole population, with some predominance among the wealthy and educated social groups. However, according to the authors, cultural creatives feel isolated and do not know how numerous this socio-cultural group really is. In truth, cultural creatives in the USA were up to 5% of the population in 1960 and rose to 26% by 1999, which equals 50 million people. A similar trend happened in Western Europe and the numbers have been growing since then. This is why it can be defined like a global consciousness movement which is silently transforming the business world as we know it, a growing shift in mindset is forming the social entrepreneurs of today.

In the supply side, not only individuals play an important role, but also organizations. Many research networks on the topic were created on an international level, such as the EMES European Research Network, which involved the EU-15 research centers since 1996, or the Social Enterprise Knowledge Network, which involves Harvard Business School and other major Latin American business schools since 2001. There are also other research centers on the topic in USA that can be mentioned, such as the Research Initiative on Social Enterprise (Columbia University), the Center for Advancement of Social Entrepreneurship (Duke University), the Center for Non-Profit and Social Enterprise Management (Seattle University). Furthermore, many institutions that actively support social entrepreneurship, one way or another, have been established around the world. For example, the Ashoka Foundation in USA, the Skoll Foundation based in UK and the Schwab Foundation in Switzerland, which promote social innovation in several ways, for example by spotting and supporting individuals who can bring forward change as social entrepreneurs, conceding support and resources to foster social entrepreneurial activities and creating a network sustaining the phenomenon.

To sum up, social entrepreneurship is a phenomenon on the rise for several reasons. The cultural and sociological changes emerging in the last decades met an increasing
demand for solutions to social problems, which triggered the phenomenon of social entrepreneurship. The analysis of the drivers helps us understand why interest towards this topic came and is still coming from all parts of the society: the socioeconomic changes involved individuals from every corner of society and the “cultural creatives” are spread everywhere, not to mention that social problems are perceived as everybody’s to solve. As a consequence, literature contributing to the topic has been growing and comes from different disciplines, actors and sectors.

1.5 The centrality of the social mission: different forms of social entrepreneurship

This difficulty in defining what “social” means in the context of entrepreneurship lead scholars to have different views on how central should the social goal be in the organization. As mentioned before, and as will be further explained in the next chapters, literature provides us with several different organizational forms that social entrepreneurship can take, in each of which the social goal has more or less predominance. On one side, a portion of literature positions social entrepreneurship in the not-for profit sector, where the social objectives are the only core goals of the organization. Some other scholars are more permissive, and talk about organizations defined as socially entrepreneurial when they pursue both social wealth and financial wealth, usually the second to sustain the first one. The Institute for Social Entrepreneurs (2005) defines it as “the art of simultaneously pursuing both a financial and a social return on investment” and Alter (2000:1) defines it as a “generic term for a nonprofit enterprise, social-purpose business or revenue-generating venture founded to support or create economic opportunities for poor and disadvantaged populations while simultaneously operating to the financial bottom line”. In this category the social goal is still predominant and it is not mutually exclusive with profitability. However, there are also organizations where the entrepreneur is following at the same time the creation of social and commercial wealth, and the social goal and the commercial goal have the same importance. All these kinds of organization are also called “hybrids” because they have the features of both not for profit and for profit. Also, there are many cases that clearly belong to the for-profit category which have been classified as
social entrepreneurship, where the commercial goal might even be prioritized to the social goal, which consequently becomes one among the different goals pursued by the organization, such as the practice of corporate social responsibility. Some authors even argue that, in extreme case scenarios, the social purpose risks to be merely a marketing tool used by the company to enhance their image among the public and achieve superior revenue streams. Should these activities be included in the definition of social entrepreneurship? Where can a line be drawn? It is obviously very difficult to put a border to how much the social mission should be important within the organization so that it can be classified as social entrepreneurship or another kind of entrepreneurial organization. This is evident especially considering how little consensus there is among literature about this boundary due to its obvious subjective nature.

Another perspective on the different forms of social entrepreneurship is provided by Nicholls (2006b:229), who mapped social entrepreneurship not according to the proportion of social and economic value creation, but in relationship to the private and the public sector basing on the level of community involvement and of strategic engagement with the social need. This approach keeps in consideration the fact that social innovation is very much embedded in the community and the context. Therefore, to a low level of community engagement and of engagement with social needs there is the traditional private sector, focused on wealth-creation. The public sector is positioned where social need is high but community engagement in low, since it often happens that public services are provided from the above without really engaging with the community. To a high level of community involvement and a low level of social need engagement, the author places the cooperatives, since they create social value by using a membership structure, but do not have a social mission as a primary goal. Social entrepreneurship is characterized by a high level of both social need engagement and community involvement. However, it is also important to underline how these categories are not static but dynamic. The private sector might shift towards a higher level of community involvement, for example by adopting CSR approaches and taking under consideration the interests of a greater part of stakeholders. The public sector can also move towards a major community involvement, and here the role recognized to social entrepreneurs is fundamental.
Also cooperatives might decide to chose a social issue to address as their primary goal and therefore shift to the right. On the other hand, social entrepreneurship has the possibility to use market approaches and business strategies typical of the private sector’s initiatives to address their primary social goal in a more efficient and effective way, as it happens for example in social enterprises. Therefore, the framework described above has a dynamic structure (figure 3).

One of the reasons for such a variety of forms of social entrepreneurship and difficulties in finding a shared definition is the rise of the so-called “fourth sector” (Ellis, 2010). During the 20th century there was a clear definition of the three sectors, each of which had its defined place and role. However, this is not true anymore in the 21st century, especially when talking about common future, sustainability and social problems. The conscience of the new needs makes social and economic obligations walk together and it is becoming clear to all actors that it is very important to consider

the interest of all stakeholders in the society while operating. This rising new value system makes it clear that we need a integrated and collective approach to problem solving. Therefore, to address the new social needs, there has been a shift in how actors operate: it is not a matter of who does what, but rather of who delivers the best solution. Cross-sector collaboration, hybrid models, alliances, etc. are becoming keywords, and agents of social change naturally rose above the traditional three-sectors division. To make social innovation happen, market and non-market mechanism are blurring in all sectors. The public needs to provide welfare solutions while being economically efficient and sustainable; the for-profit sector must be socially responsible while pursuing profit; and the not-for-profit sector must be economically sustainable while pursuing its social mission. Sectors are therefore blurring together and the mindset of the 21st century is working in the “forth sector”. This is why it is difficult to confine social entrepreneurship to a defined form and sector; its forms remains varied and undefined, thus causing different people giving to the phenomenon different meanings and shapes.

1.6 The importance of a shared definition

It was explained throughout the chapter how several definitions of social entrepreneurship exist, but that nevertheless there are some features in common. All in all, three main common dimensions of this new business paradigm can be identified (Ellis, 2010):

- Social change is the main purpose;
- Innovative problem solving is the solution;
- Business methods are the means

Indeed, generally, a common theme across the definitions of social entrepreneurship is that the main purpose is to create social value. This obviously influences how social entrepreneurs see opportunities and how success is measured, as the criterion is related to the achievement of the social mission and not to the creation of economic wealth. Economic wealth creation is thus a mean to achieve the social goal. The activities undertaken to achieve such goal are characterized by innovation, which is to say that social entrepreneurs are always looking for new ways to address social
problems. Moreover, the social mission is achieved through the use of business methods.

Scholars so far have not reached a consensus on whether social entrepreneurship has to be treated like an independent field of study, or even if it should really be considered as distinct from other forms of entrepreneurship.

The difficulties in drawing theoretical boundaries in a topic which has been receiving attentions from so many different parts of society and disciplines and theoretical lenses are making it even more difficult to gain a consensus over if it should be an independent field of study, and if so, under which discipline. To some, the inclusive approach has a positive impact on the further developments of social entrepreneurship as a field of study (Nicholls & Cho, 2006). Indeed, some authors believe that the openness to new inputs is a blessing to this area of research because not defining it allows a flexible conception of social and institutional innovation, of the creation of social and economic wealth and of social and economic development (Ellis, 2010). On the other hand, some authors argue that it is necessary to draw boundaries so that the field can be better defined and so that theory can start to constructively build upon one another and advancement in the field can be made instead of just collecting different and unconnected contributions (Abu-Saifan, 2012).

As far as if social entrepreneurship is a different kind of entrepreneurship, still there is no consensus. On one hand, not only it was already pointed out how all entrepreneurial activities have some kind of social impact, but also some authors (Dacin et al., 2010) argue that social entrepreneurship is not a separate type of entrepreneurship because it has too much in common with other already theorized types of entrepreneurship, such as conventional, institutional and cultural entrepreneurship. Social entrepreneurship can thus be considered as a wide context in which the above mentioned types of entrepreneurship operate, and as such it could be beneficial to further analyze it. On the other hand, some other authors argue that there are the conditions to consider it distinct from other forms of entrepreneurship and as such it deserves its special attention and space to develop. Indeed, some scholars believe that the centrality of the social goal is sufficient to make it a different kind of entrepreneurship with a necessary dedicated body of theory (Austin et al., 2006).
Another issue concurring into making the topic fuzzy is the disagreement on the array of forms social entrepreneurship should take. Indeed, an important distinction to mention is between broad definitions and narrow definitions of the concept. Some authors push for a “big tent” approach to the concept, which includes in the phenomenon a big range of organizational types, from the private to the public sector, from the for-profit to the not-for-profit. On the other hand, other authors argue for a narrower definition of the concept, pushing to exclude the not-for-profit, charities, government agencies, non-government organizations, etc. from the definitions. Among other reasons, this is to distinguish social entrepreneurs from regular social service providers and social activists which do not generate or use earned revenues and do not act in an entrepreneurial way. This distinction is very important, especially when talking about data collection and empirical studies on the phenomenon, because it is not clear which entities need to be considered and which should not be, which data are comparable and which are not, and therefore constitutes an important obstacle in nowadays research on the topic.

An example of how big of a difference there is in numbers basing on which characteristics are taken into consideration when defining the phenomenon is provided by the 2016 GEM special report on social entrepreneurship carried out through surveys to social entrepreneurs. The report estimated the amount of social entrepreneurs characterized by value creation and market orientation, thus narrowing down the definition. Value creation represents the “social” part of the phenomenon, and it means giving priority to social and environmental value creation instead of prioritizing economic value appropriation. Including this characteristic leads to the exclusion of the for-profits which adopted corporate social responsibility programmes and such. Market orientation represents the “entrepreneurial” side of the phenomenon and it means that the organization is active in the market by selling goods and services. Including this characteristics therefore excludes the traditional no-profits and social service providers which do not have independent income streams and do not act entrepreneurially.
Figure 4 shows that if the features of value creation and market orientation are applied, the organization classified as social entrepreneurship would be less than half than it would be if those restriction where not applied. Indeed, without a shared definition of what social entrepreneurship is and what is not, which entities can be considered socially entrepreneurial and which cannot, it is difficult to identify the phenomenon itself in practice and study it, provide numbers and data about it, understand its potential, its impact, and design policies to apply it to achieve social and economic missions and models.

From all these insights, it is therefore evident that social entrepreneurship is a phenomenon that evolves dynamically, has a broad theoretical base and is still permeable to receiving inputs from very different disciplines since it involves many different kinds of stakeholders and can be seen though many different lenses and organizational approaches. However, more consensus should be met, clearer boundaries should be drawn and the field should be better defined. In particular, the distinction between broad and narrow definition is very important, especially when talking about data collection and empirical studies on the phenomenon, because it is
not clear which entities need to be considered and which should not be, which data are comparable and which are not, and therefore constitutes an important obstacle in nowadays research on the topic.
Social entrepreneurship is a phenomenon happening worldwide. Since it is deeply embedded in the context it develops it, the phenomenon acquires different shapes and features basing on where it is.

Social entrepreneurship describes the entrepreneurial behaviors happening in the organizations within the third sector. Not-for-profit organizations had to adopt entrepreneurial approaches to be able to achieve wider social goals while support from the external actors was declining and, consequently, competition within the sector for funding was increasing. Therefore, donors were also more selective towards which companies to give founding to, having major expectations from measurable returns and the performance of the organizations. Social entrepreneurship is therefore a way to improve the performance of the organization by both being more independent from external sources of resources and, at the same time, accomplishing a bigger social impact.

Exploring literature and the international different developments of the phenomenon, it is clear how social entrepreneurship does not have a defined legal form or business method, and that the spectrum of organizational forms potentially included is wide, especially if the “big tent” approach is adopted. It can be said that social entrepreneurship organizations pursue the creation of two kinds of value: social and economic value, which can be present in the social entrepreneurial entity in different proportions, to the extent that such entities are also called non-profit-for-profit “hybrids”.

Figure 5 illustrates the potential spectrum of social entrepreneurship (Alter, 2007).

The right hand side of the spectrum is constituted by for-profit entities that generate social value while, at the same time, having as main motives the creation of profits and its distribution to shareholders.

On the other side, the hand side of the spectrum is composed by nonprofits with commercial activities that create economic value to sustain the social mission but whose main motive is the achievement of the social goal.
It is not the aim of this essay to illustrate all the several forms that, according to several scholars, social entrepreneurship can take. In the following pages, basing on existing literature on the topic, some insights about how social entrepreneurship happens will be provided, with particular focus on the concept of social enterprise. First, a general overview on the phenomenon from an international perspective will be provided, focusing in particular on the approaches to the topic in the US and on how social entrepreneurship happened in Europe. Since it is not possible in this work to cover all the different forms social entrepreneurship assumes amidst the European countries, focus will be put mainly on the European approach pushed forward by the EMES European Research Network. The EMES approach focuses on the general concept of social enterprise as the main tool of social entrepreneurship and places it within the overall economy and the third sector, using this concept as a guideline to drive us through the galaxy of social entrepreneurship. In the second part of the chapter, the concept of value creation in social entrepreneurship will be explored, discussing the concept of social value and illustrating the theoretical concepts of Blended Value, which conceives value as a whole entity, and of double bottom line, which strategically conceives value creation as distinguished between social and economic wealth. Finally, the relationship between economic value creation and the
pursue of the social mission will be discussed, illustrating the different theorized models of social enterprises.

2.1 Social entrepreneurship in the world

Social entrepreneurship is an international phenomenon. Of course, it does not happen in the same way anywhere in the world but it has different trends and features, also because such a phenomenon is heavily embedded in the socio-cultural context. Furthermore, many features of the social entrepreneur on the individual level naturally arise from the cultural background. These features include, among others, solidarity, altruism, reasons coming from ethics and religion, the political and community contexts, etc. Nicholls (2006a:4) identified some key features of international entrepreneurship from an international perspective. Starting from Asian emerging economies, social entrepreneurship develops from the cooperation between civil society and government. In South America, social entrepreneurial activities arise from the civil society, whereas in Eastern Europe, social entrepreneurship tends to take the form of hybrid models, also known as social enterprises. In Western Europe, the practice of social entrepreneurship is generally supported by the governments and by policies pushed forward by the European Union, with particular success in UK, while in USA there has been recently a development of venture philanthropy and of the foundation agenda.

Since it is not in the interest of this work to further explore the phenomenon on a global level, in the following pages, focus will be put on the phenomenon of social entrepreneurship in two main regions: the US and the European Union.

2.1.1 Social entrepreneurship in the US: the “earned-income” approach and the “social innovation” approach

In the US, the social entrepreneurship phenomenon is traditionally conceived as third sector organizations adopting for-profit strategies to support their social mission. During the 60’s, the government started the Great Society programs, which provided not-for-profit organizations with a huge amount of financial resources to address social
issues. However, these programs had to face severe cuts during the 70’s and the 80’s because of the economic crisis. This led not-for-profit organizations to adopt entrepreneurial methods in order to fill the gap and find alternative financial resources and address the social issues. At the same time, many new institutions and consulting firms appeared in huge numbers to support this new industry, the most famous of which is New Ventures, created in 1980. Another important player in defining social entrepreneurship in US is the Ashoka Foundation, which focuses on and supports individuals who can carry on social innovation, rather than focusing on organizations.

In the US, there is a variety of concepts used to depict the entrepreneurial attitude embraced by entities pursuing social goals. These different approaches to social entrepreneurship and social enterprise have been classified into two main schools of thought: the “earned income” school of thought and the “social innovation” school of thought (Dees & Anderson, 2006).

The “social innovation” school of thought bases on a Shumpeterian perspective and focuses on the concept of social entrepreneurs as a “change agent”. Social entrepreneurs in this perspective bring about systemic change in society and innovate through new services and quality of services, methods and factors of production, markets or organizational forms. Therefore, in this case the attention falls more on the outcomes rather than on incomes. The most famous definition in this school of thought is the one provided by Dees (2001:4), who conceives social entrepreneurs as "playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created". Within the “social innovation” school of thought, social entrepreneurship does not only happen in nonprofits, but involves business and public organizations as well.

The “earned income school of thought” starts from the idea of social enterprise as an entity adopting earned-income strategies. The social enterprise was defined in the late 90’s by the Social Enterprise Alliance, a major institution in the field, as “any earned-income business or strategy undertaken by a non-profit to generate revenue in
support of its charitable mission”. The publications forming this school came from consultancy agency who would support not-for-profits elaborating a strategy to find other sources to sustain and accomplish the social goal of the organization. Here is therefore explained the reason of the name of this school. Within this school two streams can be identified. One, the “commercial non-profit approach”, focuses on the process undertaken by no-profits to get commercial access to resources just described above. The other one, the “mission-driven business approach”, has a broader range and includes all organizations which have a social goal together with a commercial approach, such as for-profit companies. Furthermore, much has been written about business methods to make social sector entities more effective, or about including various forms of corporate social responsibility enacted by for-profit firms into the category of social entrepreneurship. Differences between these two schools of thought should not be exaggerated, in the way that recently social entrepreneurship is being more and more conceived as a mission-driven business which uses a broad range of business methods and legal forms.

2.1.2 social entrepreneurship in the European Union

Following Defourny and Nyssen (2010), social entrepreneurship happened differently across the European countries. As far as Western Europe is concerned, third-sectors organizations were very active since before the Second World War, and they gained importance during the 60’s and 70’s with the booming of civil society movements regarding societal problems. Many European countries between the 70’s and the 80’s had to face many societal issues, such as budget deficits to be reduced and persistent unemployment, which called for a major involvement of the third-sector actors to tackle these issues. European countries tried to address these problems in different ways. The Bismarckian countries, namely Ireland, France, Belgium and Germany, had non-profit private initiative to address societal problems. On one side, the state used active labour policies, such as training and job subsidy programs, to address the growing unemployment problem. On the other side, within this kind of active labour policies, the so-called “second labour market” developed. Giving the rising social needs that
remained not properly addressed and a large amount of people that remained looking for a job, this second labour market aimed at creating job positions which addressed these social needs through intermediate forms of employment. The public sector relied on third-sectors organizations to promote and foster these intermediate forms of employment. In these countries there has therefore been a push coming from the government towards a more proactive role of third-sectors organizations, which often showed entrepreneurial behaviors.

As far as the Nordic countries are concerned, they are known for having the highest expenditures in the welfare system in Europe. The state, business and civil society play their roles: the state manages the provision of the welfare, the business deals with the production, accumulation and employment, and civil society manages the societal agenda. In these countries there is traditionally a developed cooperative movement, which played a major role during the 80’s to address the new issues, such as within the field of mental care and innovative pedagogy in Sweden. In this way, the cooperative model, which was usually in the business sector, started to play a major role in the welfare system.

UK also had a separate route and is considered a symbolic example within the liberal model. The provision of social services in UK consisted of a mixed model: the public sector delivers broad social policies and at the same time supports charities. However, during the 70’s and 80’s the government applied quasi-market approaches in order to develop a more efficient service provision. In this mechanism, while the state still finances and regulates the services, all actors can participate and compete in the provision of these services, such as actors belonging to the public sector, third sector and for-profit sector. This way, there was a change in the relationship between the voluntary sector and the state. Within this model, the voluntary sector depends upon private initiatives and funding, while the social expenditure from the state is lower.

As far as the southern countries are concerned, for example Italy and Portugal, the level of welfare provided by the state is lower and therefore also social services provided by the public service are underdeveloped. Traditionally, in Italy social needs were addressed by charities related to the Church until the 20th century, when the fascist regime limited this activities carried on by the Church to gain more control over civil society. Furthermore, in these countries the family is traditionally at the center of
the provision of welfare and there is a strong presence of cooperative organizations. Therefore, until the 70’s the third sector was quite underdeveloped in Italy, but during the 80’s unmet needs started to be addressed by new cooperatives. The needs being addressed were mainly regarding the unemployment issues, together with other social issues involving changes is society, such as the aging of the population, and so on. These new forms of cooperatives differed from the previous forms because their members belong to the many different kind of stakeholders involved, (whereas the previous form traditionally only involved one) and their service were not only for their members but for the whole community, acting in the name of the general interest. It is indeed in Italy that the concept of social enterprise was used for the first time, and in 1991 the Italian Parliament approved a law introducing the “social cooperative” as a legal form for the first time. After this law was introduced in Italy, many other European countries adopted laws institutionalizing these new forms of third sector organizations which had an entrepreneurial behavior. The most used were the social enterprise form and the social co-operative form, although there were many differences from country to country.

2.2 The EMES approach

2.2.1 The concept of social enterprise

The first theoretical framework of the concept of social enterprise was developed by the EMES European Research Network through an international and multi-disciplinary approach (Defourny & Nyssens, 2012). The institution does not provide a definition, but rather a set of indicators and characteristics which help identify the concept of social enterprise. Three sets of indicators were identified: economic and entrepreneurial dimensions; social dimensions; participatory governance. These indicators are not conceived as necessary conditions to qualify social enterprises, but rather a method to limit the scope of the “galaxy” of social enterprises, within the boundaries of which scholars and practitioners can position newly emerging as well as already existing entities.

Economic and entrepreneurial dimensions of social enterprises:

a) A continuous activity producing goods and/or selling services: social enterprises differ from not-for-profit organizations since their main activity does not
involve advocacy activities or income redistribution. Social enterprises are characterized by a continuous production of goods and/or provision of services, which constitutes one of the primary reasons why such entities exist.

b) A significant level of economic risk: economic risk is undertaken by those who set up the social enterprise, partially or completely. The entity is made financially feasible by the availability of sufficient resources, which is secured by its members.

c) A minimum amount of paid work: social enterprises can use both monetary and non-monetary resources, as well as paid workers and volunteers, but the presence of a certain level of paid work is necessary.

Social dimensions of social enterprises:

d) An explicit aim to benefit the community: the main goal of social enterprises is to deliver services or goods that benefit the whole community or a group of people, together with conveying a major sense of social responsibility where they operate.

e) An initiative launched by a group of citizens or civil society organizations: social enterprises rise thanks to the initiative of a group of people who belong to the same community and/or share the same precise goal or need. This group acts collectively and this collective feature needs somehow to endure over time. Nevertheless, the relevance of a the presence of a leadership must not be underestimated.

f) A limited profit distribution: social enterprises can be organizations where there is absolute non-distribution of profit, or where the distribution of profit is allowed but limited. This restrictions on profit distribution is so that the social goal can remain central and so to escape the risk of strategies that aim at maximizing the profit of the entity.

Participatory governance of social enterprises:

g) A high degree of autonomy: social enterprise are autonomous in the way that they are created and governed by a group of people and are therefore not directly or indirectly controlled by public authorities or other entities, even if they might rely on public subsidies. Therefore, social enterprises are
independent also in the termination of their activities or the expression of their position on topics and issues of interest.

h) A decision-making power not based on capital ownership: in social enterprises, in line with the principle of non-distribution of profit, the power within the organization does not depend on the capital shares of the members. The general principle of “one member, one vote” generally applies to the decision-making process of social enterprises.

i) A participatory nature, which involves various parties affected by the activity: social enterprises are characterized by a broad participative management system. This is because most of the times social enterprises aim at promoting democracy through their economic activities in the place where they operate. Therefore, usually customers, users, and stakeholders in general have the right to be represented and participate in the management of the social enterprise.

2.2.2 Social enterprises in the overall economy
EMES tried to depict the space where social enterprises can be found in the overall economy. In doing so, EMES proposes a “triangle” representation (Defourny & Nyssens, 2012). This representation is not limited to the traditional dual description of the economic framework, which highlights the key role of the market and the regulatory state system. This representation wants to be more comprehensive, considering social enterprise as the result of the interaction between a plurality of actors, resources and logics of action. Therefore, EMES used Polanyi (1944) historical and anthropological approach, which, apart from the market principles, also considers other principles, such as reciprocity, redistribution and household administration, conceiving the overall economy in a broader way. Indeed, his conception of economy involves all activities on which the man depends to survive, interacting with the environment. This is a wider conception compared to the more restrictive and traditional idea that conceives economic activity as a process of effective and efficient maximization in a condition of scarcity. This more comprehensive approach is also more aligned with some European approaches to the third sector, which take into account a plurality of actors and logics. The first typology showed in the triangle are
three types of actors, each of which is placed at a corner: the state, communities (including households) and the for-profit private firms. The second showed typology focuses on the motives and resources used by the previous actors in order to perform their activities. This reflects the idea of Polanyi (1944) and other scholars, which conceives economy as varied, where a plurality of exchanges happen. These forms of exchange obey to the following principles:

- The market principle, which, through the mechanism of price setting, helps the matching between supply and demand of goods and services;

- The redistribution principle, which consists in giving to the central authority some of the wealth produced, which will be redistributed afterwards. This implies that there is a relationship between the central authority and the agents, and that rules are established for the imposition of taxes and the redistribution of the production;

- The reciprocity principle, which mirrors the logic of symmetry. Polanyi (1944) states that a reciprocity relationship leads actors to be complementary and interdependent on a voluntary basis. Therefore, social behaviors can call for a gift as a form of exchange, which requires back another gift, which needs to be adequate according to social conventions. Basing on this form of exchange, then, the nature of the counter-gift has to match social rules rather than perfect equality in value (Polanyi at al., 1957), and gives the receiver of the gift freedom of choice on the counter-gift. The reciprocity principle is different from other forms of market exchange, but it is an intrinsic characteristic of human relationships and behavior. It makes sense only when the stakeholders participating to the reciprocity cycle are willing to create social ties among each other, also because this principle implies the willingness for power and recognition. What makes it different from redistributive exchange is that actors are free because there is nothing that directly imposes the reciprocity principle.
This perspective on the entire economy helps better analyzing the third sector. In the European perspective, the third sector involves different types of organizations, such as all no-profits (which means that they are not owned by their shareholders), cooperatives, public benefit foundations, mutual societies, and so on. All of these organizations constitute the so-called “social economy”. This way, it is obvious how the third-sector cannot be considered as a separate domain from the business sector and the public sector, which leads us back to the blurring of sectors and the concept of “fourth sector” mentioned before. The third-sector therefore can be considered an intermediate sector in which not only the redistribution and market principles come into play, but where the reciprocity principle at the community level plays an important role. This is why the third-sector contains so many different forms of organizations, which manage to find different ways to interact with a plurality of actors and resources and follow different logics. Therefore, the triangle formulation describing the realm of social enterprises highlights how the third-sector and the social

*Source: Defourny and Nyssens (2012)*
enterprises happen between the public, the business and the community, the boundaries of which are on purpose signaled through dotted lines. The social enterprise therefore places itself in the hybrid zone among the three actors, in the connecting areas of which some tensions arise. These behavioral tension contribute into making social enterprises hybrid and polyvalent, subject to a variety of logics, fact that sometimes leads to organizational transformation. Some social enterprises can be located in the blurring area between the for-profit and the not-for-profit sector, being a collaboration between business firms and third-sector organizations: they pursue a social goal while, at the same time, being market-oriented and redistributing profits. Therefore, here some tensions come from the conflict between the market principle, which involves profit maximization and redistribution of profit, and the centrality of the social goal, which might face the risk of drift, as already discussed. Another type of tension arises in social enterprises located in the upper part of the circle, when the public sector contracts out public services to other third-sector organizations. They are very controlled by the public sector, but at the same time adopt market approaches, which are catalyzed by regulatory reforms which promote market principles and competition. These reforms changed the relationship between the public entities and the providers of such services, and between the provider and their customers, creating such tensions. Some social enterprises arise between the formal and informal organizations’ area, which is composed mainly by entities which try to informally address unmet needs, to formalize only afterwards. This formalization process might involve some tensions, for instance those arising from the shift to a formal decision-making process involving new stakeholders, or conflicts arising between committed volunteers and paid workers, and so on and so forth. Social enterprises can also be the expression of socio-economic logics of informal collective initiatives at the community level. This is interesting, especially in the developing countries, where many informal initiatives, constituting the so called “solidarity economy”, based on the self-help principle try to face the many market failures in social services provision.
2.2.3 Social enterprises in the third sector

The third sector has been studied through two main different approaches on an international level. The first approach is the “non-profit school”, which identifies this sector with the presence of the characteristic of the strict non-distribution of profits within the organizations included. The other approach is the “social economy”, which identifies the main characteristic of this sector with the mission of benefitting their members and the general interest of the collectivity over the generation of income and in the presence of democracy in the decision-making process. This approach includes many types of organizations, such as foundations, cooperatives, associations, mutual societies. Defourny and Nyssens (2014) had an approach to social enterprise which focuses on the internal dynamics of the third sector rather than basing on existing schools of thought. Social enterprise is theoretically conceived as a link between different aspects of the third sector. Indeed, within the third sector two main sources of tension, frequent and difficult to overcome, can be identified.

One source of tension arises between those organizations who sell on the market their entire output, such as cooperatives, and those organizations, such as movement activities, who rely on completely non-market resources, such as grants and volunteering, and do not perform economic activities.

The other main source of tension arises mainly from the gap between mutual interest organization, the activities of which usually addresses only their members, such as mutual societies, and those organizations who serve the community on a larger scale, such as general interest organizations. This two different tensions are partially described in the figure below.
Social enterprise in this framework therefore has a unifying function because it makes these two separate spheres shift towards each other. Indeed, social enterprises attract the organizations in each sphere towards the center, making them belong to a single group because they are ultimately quite similar to each other, as the only main difference between them consists in the legal form (cooperative or associative), a choice which depends on the legislation of the country they belong to. However, on the right sphere, social enterprises distinguish themselves from the other organizations because the risk-taking economic activities of production are more valued. Indeed, it can be stated that production-oriented no-profits are more related to social enterprises than other non-profit organizations are, such as advocacy organizations. On the left sphere, social enterprises are generally more community-oriented, in the way that they usually serve the general interest, and consequently have many different stakeholders in their membership and not only one, unlike most cooperatives.

Despite these differences, the concept of social enterprise does not want to create a discontinuity with the rest of the third sector organizations, but rather represents the

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Figure 7: Social enterprise at the crossroads of the cooperative and non-profit sector

Source: Defourny & Nyssens (2014)
emergence of a new dynamic within the sector itself. Indeed, the concept of social enterprise involves both newly formed organizations and older third-sector entities which have undergone a process of evolution through time. As far as the legal form adopted by social enterprise, it does not consist only in cooperatives and association, but also legal forms especially introduced to normalize these entities (symbolized by the dotted line in the figure). The new legal forms change from country to country, such as the “community interest company” in UK, or the Italian “social cooperative”, or the “cooperative society of collective interest” in France.

The EMES approach cannot possibly be comprehensive of all the diverse existing typologies of social enterprises in the world, nor even in Europe. However, according to the authors, it provides an useful perspective to distinguish between the similarities and differences between the European and American approaches to the concept of social enterprise and to the role played by public policies.

2.3 Social enterprises and value creation

As stated before, two main kinds of value produced by social enterprises can be identified: social value and economic value. It was also already underlined how this double value is not a prerogative of social entrepreneurship, but all organizations, whether they pursue mainly social goals or economic goals, do somehow produce both values. Indeed, some scholars argue that value needs to be considered as whole, being a blend of social, economic and environmental value, and that this shift in mindset is having implications regarding investments, returns, financial practices, performance evaluation, management, and so on and so forth. However, distinguishing between social and economic value can be useful to social entrepreneurship to better assess opportunities, ventures and strategies. Also, the priority given to one value or the other, and if the pursue of economic value contributes to the social mission or not, influence the organizational structure of the social enterprise. In the following pages, some theoretical contribution on how to conceive social and economic value in the context of social entrepreneurship will be illustrated. After some insights on what social value is and the problems of its assessment and definition, the concept of blended value by Alter and its implications will be shortly illustrated. Afterwards, the
concept of total wealth conceived as social plus economic value and its utility in assessing opportunity and strategy will be explained. Basing on this dual value concept, some models of social enterprises theorized by Alter will be explained.

2.3.1 Social value

While for the estimation of the economic value there are many consolidated measures, the same cannot be said for social value, which is more difficult to define and measure. However, the call for measuring methods of such value comes from a plurality of actors, such as social organizations who need to demonstrate the validity of their efforts to investors and stakeholders, or policy makers and donors who need to decide how to allocate their resources. Indeed, measuring social value is strategic in times of expenditure cuts and increasing competition on financial resources.

Unfortunately, there is no widely shared definition of social value, but it can generally be described as widely non-financial impacts achieved by organizations and programmes, and it includes, for example, social capital and the wellbeing of communities, individuals, and the environment. These outcomes are defined as “soft” because they are hardly quantified (Mulgan, 2010). Why is social value so difficult to estimate? According to Mulgan (2010), many reasons concur in making this task so hard.

First of all, social value does not have hard and precise rules and laws but answers to a plurality of forces, being them social, environmental, psychological, and so on. As a consequence, it is most of the times quite difficult to predict the effects an initiative might produce. Also, in most of the situations, it is hard to find a consensus on what the desired outcome should be. This is because it depends on people’s morals, ethics and cultural standards, which compete with each other and on which it is hard to find a shared idea, not to mention applying laws and numbers. Another reason that makes the estimation of social value difficult is related to time: the challenge is assessing how beneficial an action will be and in how many years, compared to how much investments it needs now.

Besides all of these problems, metrics to measure social value are intrinsically unreliable. In the last 40 years, many new metrics came up to help these actors assessing social value. However, few people actually use those methods to take
decisions. This is because most of these metrics consider value as an objective characteristic, while nowadays most economists agree that it is not, but it is rather the ultimate interaction between supply and demand, reflecting what customers are willing to pay. Therefore, these tools are not useful to an organization from both the strategic and the operational point of view. Another reason is that these metrics try to satisfy three requirements at once: accounting to external stakeholders, managing internal operation, and assessing societal impact. While in the business sector, three different tools would be used to accomplish each task, some exponents of the social and public sector attempt to perform these three tasks at once, failing.

Mulgan (2010) adopts the approach most modern economists use to meaningfully understand value: he conceives social value as the result of a constantly changing interaction between effective supply and effective demand, which is therefore not an objective fact but might vary in terms of time, places, situations and people. In order for social value to be measurable, supply and demand need to be “effective”. Effective demand implies that someone, such as organizations, public sector, or private citizens, is actually willing to pay a price for a service or an outcome. Effective supply implies that the service or output is functioning, affordable and implementable. Therefore, according to Mulgan, markets, conversations and negotiations connect people with needs and resources to organizations with services and solutions to such needs, and metrics to assess social value make sense only if they apply to such dynamics. In some cases, the connection between supply and demand is possible, for example when citizens are willing to pay taxes to have health care provision and other services from the state, and the state is capable of providing such services. In these cases, assessing social value is feasible. On the other hand, in some cases this link is missing, either because the demand is unclear or unknown, either because the supply side is lacking, or both cases at the same time. In such cases, the description of the social value is way harder and foggy.

For most social issues, supply and demand are far from clear, or the service offered brings different values to different stakeholders, such as the individual level, the community level or public agencies. From this perspective, the real task for social entrepreneurs here is not to measure the social value, but to create a connection between supply and demand which makes value generation possible. For instance,
they might give a voice to people who have needs but do not have the influence and resources to transform them into effective demand, or invest in research on the social problems, or can invest in effective supply by persuading governments or sustaining projects.

The use of business and economic tool to assess social value are useful to a certain extent. They are methods that explain what is being done. According to Mulgan, these metrics, if used wisely, can be useful to explain trade-offs and choices, or how inputs contribute to outcomes. “Output” refers to the activities included in a set of objectives or a plan performed by an organization. “Outcomes” refers to the visible effect and tangible changes that the organization aims to accomplish. Assessing social value can therefore mean measuring the outcomes deriving from the given outputs of an organization, taking in consideration also how other actors contributed to the outcomes and what would have happened regardless of the actions of the organization. But it must be remembered that value provided by such tools is not an objective fact.

2.3.2 The concept of Blended Value

Another useful insight about assessing the value of social entrepreneurship is the one provided by Emerson (2006), which introduced the concept of Blended Value. Indeed, according to the author, we traditionally see social and economic value, conceived as separate entities and one pursued by no-profits, the other pursued by for-profits. This mindset it mirrored by investment instruments, which usually aim at either solely social value and returns, such as grants, or at economic value and returns, such as market rate loans or equity. However, this understanding of the world does not match reality, as we all know that any activity produces both financial and social value and returns. Nevertheless, players do not know how to move in a framework which does not only include financial metrics, so they chose to take into account either social or economic value. According to the author, there is the need for a unifying framework with a broader definition of investment and return which does not conceive financial and social value as separate and competing, but rather as embedded into one value proposition which includes both. The blended value proposition is a linear, two-dimensional description of value creation, which helps observe the value at a certain
moment. A blended value proposition of any investment conceives that both functions of economic and social value need to be integrated and assessed at the same time so that the total value creation and returns to shareholders are maximized. The components of value, financial, social and environmental, can be seen as building blocks reinforcing and building on one another, mutually dependent and intertwined: there is no inverse relationship between social, environmental and financial returns as they all exist in the investments in the market. It is therefore necessary to move beyond the traditional dual vision of for-profits generating financial returns and no-profits generating social returns. All corporations, being the for-profits or no-profits, generate Blended Value and a return which is also called Blended ROI. For example, a business company engaging in local child-care services, will not only increase the employees happiness, good will and productivity, but also profits, commitment and so on; an donor to a cause will not only contribute in producing social value, but gain prestige from the outside, psychic reward and tax advantage. Investors, therefore, are less interested in the legal form of the entity they invest in and are more focused on its value generation. In this context, the optimum investment is the one that, taken under consideration that value as a whole is a blend, maximizes total returns, which are also blended. Social and economic dynamics and outcomes cannot be separated, and such a blended value proposition gives origin to a blended return of investment. The institutional form consequently is not relevant in the value assessment process. Given this fact, it is important to recognize how for-profits tend to underperform socially and environmentally, while no-profits tend to underperform economically. This is also because the organization sees value as either financial or social, and therefore fails to maximize both of them, while in reality all actors have the same aim, the one of blended value maximization.

Many figures of the social entrepreneurship and traditional business field are coming to this same conclusion. For example, Michael Porter states in the European Business Forum newsletter that ‘In this corporate competitive context, the company’s social initiatives—or its philanthropy—can have great impact, not only for the company, but also for the local society... I used to see this area of corporate social performance as the last thing on my agenda ten years ago, but now I agree that social and economic issues are intertwined’ (European Business Forum, 2003). Many other examples could
be mentioned. The emergence of the phenomenon of social enterprise, corporate social responsibility, social investing, and sustainable development can be considered examples of how various actors are indeed generating a blend of financial, social, and environmental value. What is obvious is that within both for-profits and no-profits there is a raising awareness that the value needs to be considered as a whole, as a blend of discrete elements, and that not considering it such means underperform compared to the value creation that could otherwise potentially be achieved. Unfortunately, so far we lack a common currency to measure and compare social, economic and environmental value, so that many consider them virtual and beyond quantification, and therefore accountability and track on progress about social goals has not been fostered. As a consequence, also a new framework with new metrics and tools to measure and control the performance of the so-called Blended Value Proposition are needed. However, there are many way to somehow measure such values. The first step, obviously, is to recognize that there are many kinds and dimensions of value in the market, being them easily or hardly quantifiable. We still need to develop a narrative numeracy to help us account and understand all kinds of value. On this note, concepts such as Social Share Value, Social Equity Ratios, and Social Return on Investment can be considered as new concepts to express and measure these variety of values.

The success of the concept of Blended Value Proposition requires a change of mindset in the managers, which need to be able to manage the tensions of this double-bottom line. The 21st century managers should also approach accounting and capital allocation differently in order to pursue the Blended Value Proposition, together with being able to track the impact of the social, economic and all the other kind of value on a long-term period. This is no easy task, and requires continuous innovation and adaptation in measuring these transformative social, economic and environmental values. It requires a broader corporate vision and innovation management. The concepts of Blended Value Proposition, Blended ROI and Integrated Capital Market are a symptom of a new understanding of the way in which individuals and organizations, regardless of their legal form, recognize the existence and importance of the interplay of forces happening in the value formation and how to advance the practice of it. This new
managerial class is rising already, and the booming of the social entrepreneurship phenomenon can be considered as a proof of it.

3.3.3 The double bottom line

Zahra et al (2009), considering that both social and financial value need to be considered in social entrepreneurship for such organizations to be considered both social and entrepreneurial, pushed forward the term “total wealth”. The purpose of this term is to somehow find a standard to evaluate opportunities and organizational processes of social entrepreneurship as well, and it therefore includes both the tangible outcomes of conventional entrepreneurship and the intangible ones, the added social value. Total wealth is therefore defined as follows:

Total Wealth (TW)=Economic Wealth (EW)+Social Wealth (SW). Further, TW=EW+SW,
Where EW=Economic Value (EV)−Economic Costs (EC)−Opportunity Costs (OC);
SW=Social Wealth=Social Value (SV)−Social Costs (SC).

As a result, TW=EV+SV−(EC+OC+SC).

This way of measuring total wealth is useful to both for-profits and no-profits because it highlights how both the social and economic dimensions are important in the creation of the organization’s total wealth. This definition of total wealth also shows how social value created can be effected by social costs and economic costs (for instance, the costs of goods and services leveraged to achieve the social goal) generated by creating social value. Also, opportunity costs need to be carefully considered in the evaluation of social wealth, especially considering the general lack of human and financial resources characterizing social entrepreneurship.

All in all, this formulation of total wealth underlines how every entrepreneurial activity somehow pursues this “double bottom line”. It also shows how the proportion the two dimensions can shift so that one can grow and the other one can be reduced, basing on whether the organization is mainly for-profit or no-profit. On one extreme, exclusively for-profit activities might end up considering only economic value. On the other extreme, exclusively not-for-profit activities might consider only social value creation. This mirrors the plurality of definitions of social entrepreneurship throughout literature, which tend to either include or exclude to different extents for-profit or hybrid-models into the category of social entrepreneurship, according to how central and exclusive the social mission should be. However, these extreme examples are
quite unlikely to happen, since both for-profit and not-for-profit probably need to deal with both social and economic aspects of their activities, regardless of their main focus.

According to the authors, this definition of total wealth can be used as a basis to compare the actual performance to the settled goals or to the performance of the competitors. Moreover, entrepreneurs can use it to value the opportunities, chose among them and develop a strategy accordingly so that total value is maximized. Also, the total wealth formula can be used by donors to monitor social entrepreneurial activities or push entrepreneurs to enhance their performance.

In sum, total wealth standard this way formulated can be used by scholars, practitioners and stakeholders as a tool to estimate ventures, economic and social opportunities. However, the issue of the measurement of social wealth still remains unsolved. The social outcomes of social entrepreneurial activities are mostly intangible and, therefore, not definable nor quantifiable, not to mention that the value of such social outcomes is subjective and most of the times depends on the context. Despite this problem, the authors still believe that the total wealth standard is not only promising for the above-mentioned reasons, but also helps at better delineating the dual nature of social entrepreneurship.

2.4 Social enterprise models

2.4.1 The relationship between the social mission and the economic activities

Social entrepreneurship as a new institutional model that brings together social mission and market mechanism, creates both social and economic value, so that social enterprises might be continuously engaged in production or service provision activities. However, there are disagreement about whether such economic activity is itself also the way in which the social enterprise addresses the social problems or not. Indeed, practitioners choose to start a social enterprise either to address the lack of financial resources issues or because the social programme would benefit from it. Again the two schools of thought have different approaches to the issue. According to the “social innovation” school of thought, the production or service provision activities should themselves directly contribute in solving the social issue of interest. The nature
of such activities is therefore the main reason why the social enterprise exists. On the other hand, according to the “earned-income” school of thought, the commercial activities undertaken by the social enterprise do not need to directly tackle the social problem, but may just be of financial support to the venture itself, providing an alternative income stream. As a consequence, the nature of such activities does not need to be related to the social mission at all, to the extent that a non-profit might establish a subsidiary, the only function of which is to engage in such commercial activities and generate revenues at the service of the main organization.

This issue is faced by Alter (2006), who analyzes the characteristics of social enterprises and identifies several models, operational models and ways to combine and enhance them. The author starts by identifying two major forces within the social enterprise. The first one consists in the achievement and enhancement of the social mission through innovative and entrepreneurial methods. The second one concerns the self-sustainability of the venture, which needs to gain access to diversified sources of resources to be independent and long-term viable and create sustainable value. The critical point for social enterprises is therefore to combine these two objectives: widening and accomplishing the depth and breadth of the social mission through not-for-profit programmes, and earning financial resources through business methods and market opportunities.

Generally, social enterprises can enhance the efficiency and effectiveness of the organization by (Dees, 2001):

- Diminishing the need for donated funds;
- Diversify the funding sources, making it more reliable;
- Enhance market discipline, thus positively effecting the quality of the social programme.

Therefore, achieving viability objectives (breakeven to cover costs) or profit to be reinvested in the social programme is not the only reason why social enterprises are established. Diversifying sources of funds, being more independent, efficiency and effectiveness are equally important drivers for the choice. Also, often the economic activities are the mean through which the social mission is achieved.

The creation of social and economic value walk together, but might have different weights within the social enterprise. The priority given to the creation of social or
economic value defines the main purpose of the social enterprise and if the main strategy adopted is a financial or a programme one. Despite the existence of business activities, the social mission remains at the center of the organization. The relationship between the business activities and the social programme depends on the purpose of the social enterprise (which in this case refers to the income-generating side of the organization) and its relevance to the social mission of its parent organization (which is the no-profit side of the organization). The social enterprise therefore is designed in accordance to the social programme of the no-profit. Since social entrepreneurship has a strong innovation feature, the forms of social enterprises are varied and continuously changing. However, some recurring models can be identified within the big galaxy of social enterprises. Classification of social enterprises can be developed basing on the centrality of the mission. This is useful because this way, these patterns can be replicated and work as a source of inspiration to create value and push for new methodologies. Three models have been identified basing on the degree of integration between the social programme and the economic activity: embedded, integrated and external. All social enterprises fall into one of the three models, which will be described below.

**Embedded Social Enterprise**

It happens when the economic activities performed by the social enterprise have the specific purpose of producing positive social impact. In the embedded social enterprise, social and economic value creation have the same importance, in the way that financial and social goals are achieved at the same time and therefore have a comprehensive relationship. This means that the social programme is financed through the economic activities performed by the enterprise, and the programme strategy is therefore sustainable. For example, a social enterprise whose social goal is to enable the community to advance economically and therefore establishes a farm in disadvantaged rural areas, employing and providing food security to locals and generating profits to be self-sustainable is an example of embedded social enterprise. These are mission-centric social entrepreneurial organizations that are conceived precisely to advance the social program through a self-financed method, and therefore develop business activities which play a central role in the accomplishment of the
social programme. In this kind of social enterprise, new ventures or commercial practices are introduced that strengthen the horizontal and vertical linkages in order to produce more development, wealth and benefits for a wider range of people. The activities carried out by the venture are embedded in the social programme of the organization. The clients (target population) of the no-profit can be the target market, employees, owners or direct beneficiaries.

**Integrated Social Enterprise**

In integrated social enterprises, social programmes and economic activities overlap by sharing resources, costs and programmes characteristics. The venture’s economic activities are integrated in the operations of the organization. This kind of social enterprise is created by no-profits as an earned-income strategy to sustain its activities in achieving the social goal or to further develop and enhance it by, for example, serving new paying market segments or delivering new services to the existing target. A recurring form of mission-related social enterprise is the commercialization of social services: while one market segment receives the service for free, the same enterprise offers the same or a related service to another segment with the economic possibilities to pay for it. Another common form of mission-related social enterprise is mission expansion. For example, an organization providing counseling services to single mothers could also start a childcare service. This way, income is increased and diversified, while at the same time the social mission reaches a broader scale. These are mission-related social enterprises that create social value for the programme and gain financial resources to sustain its costs. Integration therefore helps combining the development of the organization with market opportunities, while sticking to the social mission. The clients of the no-profit do benefit from the investments of the organization, but are not necessarily involved in its operations. Organizational assets of the parent no-profit organization used as basis for the business activities of the social enterprise usually are expertise, relationships, brand, content, infrastructures. Therefore, business activities and social programmes have a synergetic relationship as they mutually add value to each other. The difficulty often is to manage the process of integration so that synergies are
created and mission drifts, or a decreased effectiveness and less social value creation are avoided.

*External Social Enterprises*

This kind of social enterprise consists in adding to the organization a venture or commercial activity that increases income, but does not necessarily at the same time increase social value. External social enterprises manage business activities and social programmes separately. It is a unrelated-to-mission social enterprise, whose only reason to exist is creating financial streams to sustain the social programme. The social enterprise has no connections to the social programme carried out by the parent no-profit, even if it might have another social bend, or add brand or marketing value or belong to an industry close to the one in which the no-profit parent organization operates. Clients of the no-profit indirectly benefit from the revenues but are in no way involved in the operations run by the business activity. The business activity might benefit from the shared costs, leveraged resources and synergies with the social programme, and must consequently generate income in order to serve their purpose. Business activities have a supportive relationship with social programmes in giving them funding.

### 2.4.2 Operational models

Alter (2006) identified seven different operational models of social enterprise: entrepreneurial support, market intermediary, employment, fee-for-service, market subsidization, market linkage and organizational support. Obviously, these models do not completely describe and contain the growing and diversified galaxy of social enterprise typologies. However, these models are worth noticing because they have evidently been copied among practitioners around the globe, and have been combined together and enhanced in different ways. The models, their combinations and improvement will be described below.

*Entrepreneur Support Model*

This model provides business support or financial support to its target customer. These customers, either individuals or firms, after using the social enterprise’ support
services, sell their products in the market. It is therefore an embedded model, because the social programme identifies with the business itself. Indeed, the social mission consists of providing such financial support to the clients in carrying out their entrepreneurial activities. Selling their services to the clients makes it possible for the social enterprise to obtain financial independence. The income is used to cover all costs and operations, and, in case a surplus is generated, it is re-invested in order to broaden the spectrum of services provided to the clients. The key features of this model therefore are financial self-sufficiency, the ability to reach big numbers of customers, and the low risk of mission-drift due to the embeddedness of the social mission and the business activity. This model is generally adopted by development organizations and business development programs, such as microfinance institutions, and small and medium enterprises. Typically, social enterprises that chose this model focus on business such as financial institutions, management consultancies, professional services, product and technology companies that help entrepreneurs. The most notorious example of this model is microfinance, which addresses the problems of unemployment and economic development by providing poor entrepreneurs with small loans. Therefore, the social mission coincides with the business, and, since the customers are the ones who pay the enterprises, self-sustainability is achieved through scale, and scalability is easy to achieve.

**Market Intermediary Model**

With the market intermediary model, the social enterprise deals with product development, market access and credit services. The clients are small producers, being them individuals, companies or cooperatives. The social enterprises buys the products of the customers at a fair price, and sells it again in the market at a higher price. Costs are covered thanks to the margin or the commissions on these products. Therefore, it is an embedded social enterprise model, since the social goal is to support clients in achieving financial security by developing and selling their goods within high-value markets, feature that makes social and business goals coincide. The strengths of this model are, again, financial self-sufficiency, possible scalability, low risk of social-mission drift. However, only producers of products can be beneficiary clients of this kind of social enterprises, and problems may arise with the products themselves or in
finding a market space for their products to be sold. Indeed, the client-made product might not satisfy the necessary requirements to be sold, and cannot be fixed by the social enterprise as an intermediary producer, which might consequently renounce and change into an employment model, which will be later on described. Businesses adopting this model can be production firms or marketing firms and firms that sell agricultural commodities or processed food.

**Employment model**

The employment model creates job opportunities and training for its target customers via enterprises that sell goods or provide services. The target customers are typically people that have a hard time finding a job, such as the disabled, homeless, ex-offenders, and so on and so forth. The social enterprise model needs to include also other services, such as mental health counseling, training of professional and soft skills, etc., in order to support the clients. Financial independence is possible thanks to the revenues coming from the products and services offered in the open market, which cover all costs, including the wages to the customers and the additional social costs (such as special training and costs coming from their particular needs) coming from their employment. This is therefore an embedded model, because the social mission consists in the business activity. The business needs to meet both financial and social goals, and is chosen basing on the commercial feasibility and the characteristics of the jobs created, which needs to be suitable for the clients necessities. It does not necessarily need to be innovative, but can copy mainstream business models, with some adaptations regarding the social programme, such as the need for different working hours, job coaches, support and training, and, more generally put, all the modifications necessary to meet the clients-employees needs that make them able to work. The clients benefit directly from the activity of the enterprise. However, these models are difficult to scale, because employing more clients might threaten the feasibility of the project, not to mention that the enterprise still needs to compete in the market and survive among the other private ventures while bearing the extra social costs of its activities. This model is often used by social services no-profits that take care of, for instance, low-income women, formerly homeless and addicts, or by other organizations. Typical businesses chosen by social enterprises adopting this
model are, for examples, cafes, assembly shops, restaurants, mechanical repair, bookshops, etc.

*Fee-for-service model*

This model consists in providing social services to be sold to either the target customer, such as individuals and firms, or to third party payers. The social mission is therefore to deliver the services to the target customers. The social mission and the business coincide, so it is an embedded model. The revenues coming from the provision of services in the market make the enterprise self-sustainable, covering the costs of service delivery and costs coming from the commercialization activity. The surpluses, if present, could be used to finance other not self-sufficient social programmes, thus increasing the social value created by enlarging the spectrum of services delivered. Social service provision is one of the mainstream methods to generate financial revenues used by no-profits because it does not need sophisticated business abilities, so it is often merely treated like a source of income rather than a real business with scalability potentials. The target clients often do not have the financial possibilities to pay for the service, and the third-party organizations that can pay for the service, such as insurance companies, usually are present only in the developed countries or limited to some sectors. This model has the advantage of being mission-centered, but, when financial success is reached, the mission risks to be questioned and conflict can arise in the internal organization. Indeed, this model is easily applicable to many businesses and many sectors beyond the social enterprise. Organizations adopting the fee-for-service model are traditionally member associations, hospitals, educational institutes, etc.

*Service Subsidization Model*

This model consists in selling to the market product and services, reinvesting the resources it generates to sustain the social mission. This is an integrated model, since costs, income, operations, assets and programme features are shared, with the consequent overlapping of business activities and social programmes. The business activity gains financial benefits from cost sharing and resource leveraging while, at the same time, being a source of unrestricted resources to partially or completely sustain
the social programme. The business activities, despite often being separated from the social goal and used mainly as a funding source, are still linked to the social mandate and useful to expand it. The business choice is wide, but its core function is leveraging resources, which, if related to the provision of services, are likely to act as social-mission enhancer, whereas, if the asset leveraged is physical, it probably differs a lot from the main social mission. The advantage of such model is that it can be broadly applied by no-profits, because business, industry, target customers or organizational type are not obstacles to this model. Moreover, it can be useful to widen the social impact if it consists on social programmes’ commercialization. However, the no-profit needs to be skilled in providing the social services before the service subsidization model is established, because the no-profit must be able to run a venture over it, and this model can lead to staff taxation and threaten the social programme. Moreover, the organization needs to generate significant revenues and to have prior assets for the social subsidization social enterprise to be worth establishing. Consulting, logistics, marketing, counseling and training are typical examples of activities which chose this model to commercialize services and intangible assets, whereas leasing, transportation, property management are examples of enterprises that exploit infrastructure or capital assets.

Market Linkage Model
This model fosters trade exchanges between the target customers and the market. The social enterprise works as a market information provider and as a broker, as it links buyers to producers, and the other way around. Income is generated through the fees required in exchange for such services. Both embedded and integrated model can be applied to the market linkage social enterprise. It is embedded if the social programmes consist in linking buyers to producers. Therefore, the business coincides with the social mission and the income generated makes the social program self-financed. Otherwise, the market linkage model applies also if the business activity leverages assets, in this case trade connections, or commercializes an organization’s social services. In this case, the income generated by such activities is used to subsidize the no-profit other social services, and business activities and social programmes overlap, making this model an integrated one.
This model differs from the others because one of its clients belongs to the private sector, which is financially attractive and therefore makes the enterprise quickly viable. Moreover, scalability of the social mission is also more easily obtainable, even if the other clients are mainly producers. This model is especially adopted by entities to which it offers integration possibilities, such as cooperatives, associations and network organizations, which might also develop market research, import-export, buyer-broker services to be added to their activities. Such model is particularly useful in developing countries, where the organization connects small producers to Western firms.

Organizational Support Model
This model of social enterprise might in theory involve any kind of business activity and gain by selling the products or services of such business activity to the market, while the social programme runs on its own. This is therefore an external model because business activities and social programmes are completely unrelated and separate, and the former, even though it might have some social feature, is used by the latter as a funding source to covers costs and be self-sufficient. For the social enterprise to be successful, since the business activity is the main financial source for the no-profit, it has to be highly profitable.

For this reason, the no-profit might chose any kind of business regardless of the social mission. These are indeed the main advantages of the model: big range of choice of the business activities and large application in not-for-profit organizations. However, a downside is that its implementation is complicated. Problems related to staff and mission are the same of the service subsidization model, but on a higher degree. Given its complexity, this model is suitable for mature and developed organizations with prior experience in business.

In practice, the above-described models can also be combined together in order to catch opportunities coming from both markets and social sector and best achieve both social and commercial missions and value creation.

Complex models
Social enterprises complex models consist in applying two or more operational models to form one social enterprise in order to obtain the settled social impact and revenue goal. Usually, models which belong to the embedded social enterprise’s category achieve a higher social value, whereas models belonging to integrated or external social enterprise’s category are more useful to achieve major financial benefits. The complex model is therefore a tool to reach an equilibrium and long-term sustainability, especially when the financial opportunities do not completely match with the social needs. The complex model can also be useful for the growth and diversification of the goals, with the related downside of a more difficult to manage complexity.

**Mixed models**

No-profits might decide to have several mixed operational units, each of which manages different social programmes and financial goals. Every unit might deal directly with the target customers, social mission and sector, core competencies or external market. No-profits adopting this model put together several business and social entities in order to have a more varied range of social services and gain resources from opportunities within both the social and business markets. The way these units are combined varies a lot and depends on the sector, the social and business goals and opportunities, the age of the organizations, etc. Many multi-sector organizations often adopt the mixed model. They establish different departments and subsidiaries basing on their technical areas in which they operate, such as health, education, etc, and develop no-profits with their respective social enterprises.

These models can also be improved in several ways. These methods will be described below.

**Franchise model**

This model is useful to social enterprises because it helps them dealing with the issues of replication and scalability. It consists in the organization franchising its model by selling it to other no-profits, which can adopt it and apply it to their own activities. This leads to several advantages. For example, economies of scale are easier to obtain, which leads to major viability and financial gains. Also, it makes replication on a large scale possible, which has several advantages, such as major geographical coverage.
(breadth of scale) and customer volume (depth of scale). So, generally, it can be said that the franchise model not only improves scalability, but also the creation of social and economic wealth due to the replication possibilities. Indeed, for example, a restaurant might be feasible only when employing a certain amount of disabled people; however, through franchising, the model can be replicated, employing more disabled people and gaining more profits, thus enhancing both social and financial value. The model works this way: buyers pay franchisee fees to have access to the model, methodology and technical support from the franchiser. No-profits that purchase a franchise so not need to waste energies into choosing the business, the products to sell or the market to work in, but just have to concentrate on running the operations of an already tested enterprise. On the other side, the franchiser gains the birth of a new social enterprises that, basing on its industry and experience, generates new income streams and increases their social impact. This model is adoptable by any kind of model and business, as long as it is successful and replicable.

Private-not-for-profit partnership
This model is a joint venture or business partnership which involves a for-profit firm and a no-profit. The collaboration has a commercial nature and each party contributes and gains from the success of the cooperation, and is therefore a beneficial partnership for both entities. For example, a business working in the commercialization of goods might establish a partnership with a social enterprise which produces such goods while achieving positive social and/or environmental impact. On one side, the no-profit benefits from a major feasibility and a greater social impact. This can happen directly due to the fact that more customers can be directly reached through the business activity or indirectly due to the fact that the no-profit has access to more resources to sustain the social programme. On the other side, the private company sees advantages in entering new market and enhancing the brand image, which brings an increased customer loyalty, major sales and income, and so on and so forth.

From the models described above, it is evident how most models are mission-centric and that business activities are adopted mainly to enhance or expand the social
programme more than as a mere funding source. Indeed, a survey in 2002 (WB&A Market Research 2002) demonstrated that 78% of social enterprise were mission-centric embedded models, 16% mission-related integrated models, and the percentage of those unrelated to the social mission external models is only 3%. Indeed, summing the difficulties of running a business to the problems of managing the social programme is no easy task for practitioners of the third-sector, especially if those business activities are separate from the social mission and do not enhance it or support it in any way. The reason behind no-profits is originally social impact, and achieving the social mission is what drives social entrepreneurs, so gaining financial resources is usually only considered as a necessary mean to arrive to the social end. Therefore, some argue that it is worth establishing a social enterprise which makes the social mission performance more efficient by supporting it (Dees, 2004), so that it can be said that social enterprises can be considered successful basing on the achievement of the social goal, not the financial one. In other words, having independent financial incomes is necessary but not a central value proposition. What is peculiar about social entrepreneurship is that the benefits of combining business methods to achieve a social mission do not stop at access to unrestricted financial resources. More relevance could be given to how operational models can be applied to maximize the social goal and to the importance of cultural change and capacity building processes within no-profits. Social enterprises should therefore be considered as a methodology for not-for-profits to gain a stronger organization and better pursue the social mission, as a methodological tool to successfully create social impact thanks to its dual value creation, and as a useful method for social entrepreneurs to foster innovation, performance, impact and effectiveness, besides money creation.

This chapter will discuss if, how and in what measure social entrepreneurship contributes to the development of the economy. But what do we mean by economic development? The concept of economic development has changed over time and many controversies about the meaning of this concept remain. The different suggested and applied economic development policies changed accordingly. The lack of a consensus also rises questions on how to measure and evaluate countries’ economic development and the effectiveness of such policies. Nowadays, to the old idea of economic development as a synonym of quantitative economic growth, measurable with GDP, a broader and more holistic approach to economic development has prevailed, which focuses on qualitative measures. Indeed, there is a shared idea that for economic development to happen, not only the traditionally conceived economic growth needs to happen, but there is also a need to improve the quality of life of the people, which includes reduce preventable diseases, hunger, poverty, the debt of developing countries, environmental damage, illiteracy, gender inequality, and so on and so forth. This prevailing holistic approach to the concept of economic development is also evident in the World Development Indicators used by the World Bank to assess the state of development in the world (World Bank, 2016). These indicators are not only regarding GDP, GNI, population and urbanization, but also measure the progresses of the economy, gender gap reduction, sustainable development, lives improvement and support to vulnerable populations at the global level. Indeed, the World Development Indicators are grouped into six main themes: poverty and shared prosperity, which focuses on the steps made towards the World Bank goals of ending extreme poverty by 2030 and foster shared prosperity in all countries; people, which has metrics evaluating societal progresses regarding health, education, employment, social protection and gender; environment, which concerns the exploitation of natural resources and the state of environmental degradation; economy, which depicts the economic activities such as production, trade and output; states and markets, which deals with private investments and performance, such as
the quality of infrastructures and financial systems; global links, which regards indicators about for example trade, migration, tourism, debt, and so on, which shape the directions and scope of the flows and connections that make it possible for economies to grow. At the same time, the concept of sustainable development has been rising. Such concept can be summarized by the Brundtland report (Cassen, 1987) famous quote that “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. The two main core concepts, intra-generational and inter-generational equality and the emphasis on the concept of needs, make the concept quite difficult to define, to the extent that it can be considered more a political paradigm with sets of objectives to be reached than a scientific or theoretical conception, even though setting common goals and finding ways to measure the progresses towards such an agenda is no easy task. Basing on this concept, the UN issued the 2030 Agenda for Sustainable Development adopted by the United Nations General Assembly in 2015. This new agenda starts from the achievements of the Millennium Development Goals and broadens them, consisting of 17 goals and 169 targets. Such Sustainable Development Goals cover five themes: people, planet, prosperity, peace and partnership. Indeed, “Countries have resolved to end poverty and hunger and ensure that all people can fulfill their potential in dignity and equality and in a healthy environment; to protect the planet from degradation and take urgent action on climate change; to ensure that all people can enjoy prosperous and fulfilling lives and that progress takes place in harmony with nature; to foster peaceful, just, and inclusive societies free from fear and violence; and to mobilize the means to implement Agenda 2030, focused on the poorest and most vulnerable, through strong global partnership.” (World Bank, 2016). This makes it clear how the general concept of economic development has evolved to embrace many different quantitative and qualitative dimensions, involving the economic as well as the environmental and social side. In this perspective, social entrepreneurship, pursuing both social and economic value creation, having a special care for its community and the external environment, could play a fundamental role in fostering this kind of economic development. Given this premise, it is interesting to enquire how and in what measure social entrepreneurial activities contribute in the economic development at the European
level. The European institutions consider the social economy as the expression of social entrepreneurship in Europe, so this is also the approach used in the analysis. First, an overview of how the European institutions consider the social economy will be provided, with emphasis on some policies issued by the European Union, in particular the Europe 2020 Strategy and the Social Business Initiative. Afterwards, basing on reports by different European and national research centers, insights on social entrepreneurship’s contribution to social and economic development will be provided. As explained in the previous chapters, social entrepreneurial activities generate social and economic value, and it seems therefore appropriate to analyze how such organizations contribute to the development of a country from both perspectives. From the economic perspective, GDP and employment measures of the phenomenon will be provided, together with some insight on the role of innovation. From the social point of view, it will be discussed how social entrepreneurship contributes in bottom-up local economic development, social welfare provision, how it reacted to the economic crisis and if it is useful to achieve Europe 2020 strategy goals of an inclusive, sustainable development. Lastly, some barriers to social enterprises development and some policy recommendation will be briefly illustrated.

3.1 The place of the social economy in the European Union

Also the European Union conceives the concept of economic development in a broad way (Euricse, 2013). Indeed, the social economy has always been a cornerstone in the European Social Model and in the social and economic development of Europe and has therefore been the object of increasing attention by the EU institution in the last thirty years, although initiatives and attention to the topic has not been regular over time or equal among the institutions. But first, what is meant by “social economy”? The social economy is defined by the European Commission this way: "The set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed
by each member, each of whom has one vote, or at all events are decided through democratic, participatory processes. The social economy also includes private, formally-organized entities with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them” (CIRIEC, 2012:22). It refers to a set of organizations belonging to four main groups: cooperatives, mutual organization, associations and foundations. Also social enterprises are considered as an integral part of the social economy: “A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders” (European Commission, 2011).

Through the historical evolution of the European Union there was an implementation of an economic and social development model, shared across the member states to foster integration, where the value of social cohesion has always been relevant, influencing many economic policy choices. Indeed, the treaties that gave origin to the European Union convey the idea that integration among the people of Europe can be achieved through a model of economic growth which aims at full employment and social progress, implementing a model of not only economic integration but also social and economic solidarity and integration. This is also why public welfare has been one of the most innovative and long lasting introductions of the European Union as we know it. The European institutions saw the ability of the social economy to fix social and economic imbalances and achieve general interest goals, to the extent that the European Parliament defined social enterprises as a fundamental pillar and keystone of the European social model (CIRIEC, 2012).

However, the European Union did not change its strategic approach to social welfare and social cohesion provision until the economic crisis struck in 2008. Before that, with the 2000 Lisbon Agenda, Europe set the next decade goal “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.’
achieved through a modernized European social model and investments in people and in the fight against social exclusion. In that occasion, Europe tried to face the challenges coming from a changing global economic landscape not by changing the overall approach, but by simply adapting the existing development model to the new context and modernizing existing tools, basing on a situation of positive economic growth and employment rates.

The economic crisis that struck after that summit and its consequences showed that the tools adopted to generate social cohesion were not suitable for the new context. The idea that recovery from the crisis could not be achieved through the same schemes used before arose. The emergence of new needs and the differentiation of those existing before made it more complex to address them, while the public sector, which traditionally addressed such a complex demand, had to face monetary constraints, with the outcome of supply-demand imbalance and inefficiency, particularly in the general interest services such as healthcare, social services and education. The traditional welfare model which saw the state as the main supplier of such services could not work any longer on its own. Not only European institutions acknowledged such issues, but also society had reactions. The reaction to the economic crisis and the deterioration of people’s living standards and opportunities led to either a tendency to isolations and individualism, or to a growing willingness to actively participate in solving social problems. There is an increasing change of values and mindset in both people and organizations, being for-profits or not-for-profits, which do not conceive social issues and economic development as separate concepts and goals, but rather as a shared responsibility of all actors. This trend leads the main actors, state, individuals, the third sector and businesses to rethink their role in the market and to interact with each other differently considering that all actors are responsible for the social outcomes of economic activities. Also corporations are showing a change of mindset, with growing attention to the social impact of their activities and including social goals in their agendas. Three main trends could be identified in Europe: individuals are adopting more socially responsible behaviors; increasing attention to social impacts that economic and financial activities might have, including growing interest towards social innovation; the arise of bottom-up provision of services of general interest by citizens. Such bottom-up initiatives show
how much citizens put into practice their sense of responsibility and can be considered as an endogenous response to market failures. The organizations which were borne this way are based on values and behaviors such as reciprocity, direct participation, solidarity, equality, and, most importantly, on the idea that economic development can be fostered not only by the pursue of private gains by firms or individuals, but also by the collective action of communities involved in the provision of public goods and by the innovative collaboration between different actors and between private investment and collective action.

Given all these trends and mindset shifts, the European Union more and more recognized the importance of social entrepreneurship in addressing new problems and fostering social and economic development and cohesion after the 2008 crisis. Indeed, according to the Communication from the commission to the European Parliament, the Council, the European Economic and Social Committee and the Committée of Regions “Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation” (2011): “The single market needs new, inclusive growth, focused on employment for all, underpinning the growing desire of Europeans for their work, consumption, savings and investments to be more closely attuned to and aligned with 'ethical' and 'social' principles. In order to promote a 'highly competitive social market economy', the Commission has placed the social economy and social innovation at the heart of its concerns, in terms of both territorial cohesion and the search for new solutions to societal problems, in particular the fight against poverty and exclusion, under the Europe 2020 strategy, the flagship initiative 'The Innovation Union', the European Platform against Poverty and Social Exclusion and the 'Single Market Act'4 (SMA). The public consultation for the SMA5 revealed high levels of interest in the capacity of social enterprises and the social economy in general to provide innovative responses to the current economic, social and, in some cases, environmental challenges by developing sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, territorial cohesion, etc.”. Such recognized importance became active policies, among which the most relevant are Europe 2020 Strategy and the Social Business Initiative, which will be later on described.
3.1.1 Some EU policies: Europe 2020 Strategy and the Social Business Initiative

The concept of social economy was central in the Europe 2020 Strategy issued in 2010, which is the first showing a real shift in the strategy pursuing social cohesion and social and economic development. The Europe 2020 Strategy aimed also at contrasting trends that were happening also before the crisis, such as growing inequality and lack of social responsibility among market actors. The purpose of the Europe 2020 Strategy is “to turn Europe into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion.” (European Commission, 2010). It bases on three mutually reinforcing priorities:

- developing an economy based on knowledge and innovation;
- promoting a more resource efficient, greener and more competitive economy;
- fostering a high-employment economy delivering social and territorial cohesion.

Five measurable EU-level targets for 2020 have been set:

- the employment rate of the population aged 20-64 should be of 75%;
- the EU’s GDP invested in research and development should reach 3%;
- greenhouse gas emissions should be 20% lower than in 1990 (or even 30%, if the conditions are right), 20 % of energy should come from renewable sources, and energy efficiency should be increased by 20 %;
- the rate of early school leavers should fall under 10 % and at least 40 % of the younger generation should complete tertiary education;
- less than 20 million people should be in or at risk of poverty and social exclusion.

After that, in 2011 the European Commission kept on significantly changing its political agenda regarding the social economy, with particular emphasis on social enterprises (CIRIEC, 2017). This happened because the depth of the economic crises pushed the European Commission to look for alternative solutions, because many policy makers were noticing the emergence and importance of social enterprises, and because some social and institutional demands were arising which pushed the Commission to pay more attention to the topic. On 13 April 2011 the Commission issued the "Single Market Act - twelve levers to boost growth and strengthen confidence". Number eight
of these levers is social entrepreneurship. Its purpose is "to promote the development of businesses that have chosen – above and beyond the legitimate quest for financial gain – to pursue objectives of general interest or relating to social, ethical or environmental development".

It sets out the following action plan:

“1. Legislation setting up a European framework facilitating the development of social investment funds.

1 In order to ensure a level playing field, the Commission will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors.

2 In order to overcome these difficulties [for foundations to grow], the Commission will present a proposal for a Regulation establishing a European Foundation Statute.

3 Within the framework of the European Platform against Poverty and Social Exclusion, the Commission will support the development of the social economy as an instrument for active inclusion by proposing, in 2011, a "Social Business Initiative" and by facilitating access to the Union's financial programmes for use in this area.

4 In 2011 the Commission will also adopt a Communication on corporate social responsibility (CSR) – a wider concept than social business – which encourages all businesses to pursue actions with social or environmental objectives as part of their daily activities.”

This stresses again the strategic importance that the social economy has for European social and economic development and set the basis for what came next. A few months later the same year, on October 25, the Commission issued the "Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation" (COM(2011) 682 final) and the European Economic and Social Committee issued an Opinion on "Social entrepreneurship and social enterprise". The Social Business Initiative identified three main field of action to significantly make a difference and enhance the scenario for social enterprises:

- Improve the access to finance
- Give more visibility to social enterprises
Optimize the legal environment

The Social Business Initiative listed 11 key actions: “

1. Proposal for a regulation on European social investment funds (7.12.2011);
2. Microfinance;
3. A European financial instrument (6.10.2011);
4. Investment priority for social enterprises in the structural funds (6.10.2011);
   Common Strategic Framework (14.03.2012);
5. Mapping of social enterprises; business models, economic weight, tax regimes,
   identification of best practices; (action 9:) study on the situation of mutual
   societies;
6. Data base of labels and certifications;
7. National and Regional Administrations: promotion of mutual learning and
   capacity building;
8. Electronic data exchange platform for social investors and entrepreneurs;
   access to EU education and training programs;
9. Simplification of the Statute for a European Cooperative Society regulation, and
   a regulation for a European Foundation statute (8.02.2012);
10. Greater priority given to considerations of quality in awarding contracts in the
    context of public procurement reform;
11. Simplification of the implementation of rules concerning state aid to social and
    local services.”

SBI also mentioned the following actions:

- Proposal for a Regulation on European Venture Capital Funds;
- Reliable statistics on social enterprises;
- Communication on EU State Aid Modernization;
- Public Consultation on the General Block Exemption Regulation;
- SMEs: Consultation on the “Europe 2020” action plan.

Since then, a lot has been achieved. For example, some initiatives were taken to
improve private and public funding (CIRIEC, 2017). Regulation 346/2013 on European
social entrepreneurship funds (EuSEF) was approved to increase the interest of private
investors in social enterprises. The Programme for Employment and Social Innovation
(EaSI) was also launched in collaboration with other financial initiatives such as the
EaSI Guarantee Instrument, the EaSI Capacity Building Investments Window and the Social Impact Accelerator (SIA). For what public funds are concerned, a European budgetary policy dedicated to the social economy has not so far been developed and is still awaited and was also called by the recent Declaration of Madrid (23.5.2017). The European Regional Development Fund (ERDF) and European Social Fund (ESF) have the goal of promoting employment and social and economic cohesion. The latter especially played an important role as a European financial instrument on the topic, together with other initiatives, such as international congresses and networks, which have been coordinating the civil society of Europe's social economy, thus generating significant structuring and cognitive effects. The LEADER initiative to promote rural development and European directives and legislation have also played an important role. On the other hand, recently launched initiatives, such as the European Fund for Strategic Investments (EFSI), EaSI, programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) resulted in little or no impact, especially in Mediterranean and Eastern EU countries. Moreover, research initiatives were and are still financed in order to gain better insights on the phenomenon and on the effect that social enterprises have on the development of inclusive and innovative society.

Within the Seventh Framework Programme for research, technological development and demonstration, two multi-disciplinary and multi-method international research projects were funded by the European Commission: SELUSI – Social Entrepreneurs as Lead Users for Social Innovation (2008-2013) and SEFORIS – Social Enterprises as Force for more Inclusive and Innovative Societies (2014 – 2017). These research projects focus on social enterprises and want to create empirically rigorous, systematic new evidence of the way in which these entities behave in the market, potentially influencing industry-wide norms; how they form and develop their organizations; and how they (radically) innovate, and can potentially create important knowledge spillovers. These projects study core processes used by social enterprises to engage in inclusion and innovation (which can happen in different fields, such as organization, finance, governance, behavioral change, etc.) and the contexts in which social enterprises flourish or fail. The implications of the findings of such projects are important for EU and state policy-making because they inform on how to sustain social enterprises, scale their activities and foster social innovation, and how to promote the
realization of Europe 2020 Strategy. It is indeed very important to promote studies that can evaluate the effectiveness of such policies introduced by the European Union.

3.2 The Social Economy in EU: Output and employment

3.2.1 A general overview

The very first measurable contributions of social entrepreneurship to economic development are the most obvious ones: creation of jobs and output. Accurate data on the phenomenon of social entrepreneurship is very difficult to collect and find because of the lack of consensus on the boundaries of the concept, lack of standardization of legal forms to be considered in the accounting, little attention by statistical offices, and the fact that data on GDP and employment give little feedback on what social entrepreneurship really is. Indeed, some actors in the European Union call for the adoption of alternative indicators, for example well-being (e.g. quality of life in more holistic, physical, psychological, environmental and social terms), social performance in various domains, sustainable development, etc., to be adopted for future research and assessment. Some data and description of the phenomenon are available, especially concerning the social economy, which in this case can be considered an appropriate approximation of social entrepreneurship in the European Union. The social economy in Europe does have a weight and is important both from the economic and the human point of view. Indeed, according to the 2013 “Social economy and social entrepreneurship” by Euricse, generally the activities performed by such entities belong to the category of general interest services, which include a wide spectrum of services that effect positively the well-being and life quality of the society, so they can consist of, for instance, services in the field of education, health, care, social services, or basic infrastructure provision, and so on and so forth. General interest services are considered as key to sustainable social and economic development because they foster social inclusion, protection of the environment, satisfaction of basic needs and economic growth and are therefore considered as the pillars of the European model of society.

An example is provided by the fields of activity of the social enterprises. According to the 2014 “A map of social enterprises and their eco-systems in Europe” issued by the European Commission (submitted by ICF Consulting Services), it is very difficult to
measure the precise extent of the phenomenon, not only because much of it is still “under the radar”, but also because of the above mentioned problems of lack of common definitions and methodologies that makes data collection and aggregation difficult. However, scale and characteristics of social enterprises activities suggest a growing trend, although their percentage remains very small compared to regular business enterprises, to the extent that the social enterprises that meet the EU operational definition criteria are less than 1% of the total amount of enterprises. Due to the diminishing role of public agencies from supplying general interest services, evidence suggests that the number of social enterprises is growing and that also their scope of action is expanding, so that they engage in other activities than social services of general interest and work integration, such as educational, cultural, environmental and public utility services. According to the same study, the typology of activities in which social enterprise are involved in the European Union are:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other public services such as community transport, maintenance of public spaces, etc.
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practicing solidarity with developing countries (such as promoting fair trade).

The percentage of social enterprises in such fields was recorded to be distributed as the table below shows:
Table 2: the fields of social enterprises in the European Union (2011)

<table>
<thead>
<tr>
<th>Field of activity</th>
<th>75% of sample</th>
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<tbody>
<tr>
<td>Social services</td>
<td>16.70%</td>
</tr>
<tr>
<td>Employment and training</td>
<td>14.88%</td>
</tr>
<tr>
<td>Environment</td>
<td>14.52%</td>
</tr>
<tr>
<td>Education</td>
<td>14.52%</td>
</tr>
<tr>
<td>Economic, social and community development</td>
<td>14.34%</td>
</tr>
<tr>
<td>Culture, the arts and recreation</td>
<td>7.08%</td>
</tr>
<tr>
<td>Health</td>
<td>6.90%</td>
</tr>
<tr>
<td>Housing</td>
<td>2.72%</td>
</tr>
<tr>
<td>Business associations</td>
<td>2.00%</td>
</tr>
<tr>
<td>Law, advocacy and politics</td>
<td>1.63%</td>
</tr>
<tr>
<td>Other</td>
<td>4.72%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: SELUSI data including all observations across all countries (N=581)

Obviously, there are many differences across countries on the nature and kind of activities mostly provided by social enterprises. According to “A map of social enterprises and they eco-system in Europe” (ICF, 2014), the most dominant field varies from country to country. The study confirms that the most visible field of activity for social enterprises consists in work integration of disadvantaged groups. Indeed, some social enterprises act as an “intermediate between unemployment and the open labour market” (OECD, 2003, p.114). Such organizations, also called WISE (Work Integration Social Enterprises), are the most numerous in a number of countries, such as Czech Republic, Hungary, Latvia, Poland, Slovakia, Slovenia and have dedicated and identifiable organizational forms. The European union indeed recognizes that reintegration of disadvantaged groups into the labour market is both socially and financially beneficial for the community at large (OECD, 2000, p.50). But work integration is not all social enterprise across Europe do. For example, in 2014 40% of Italian cooperatives was active in the field of social care and civic protection, while one third of social enterprises in Ireland was dedicated to childcare services, and so on and so forth. Another popular field is the one of community or proximity services, which consist on different forms of social care and community development and regeneration, such as economic activities which meet the needs of the community. This also varies from country to country. For example, in Czech Republic, Malta, and Romania, many social enterprises activities focus on the environment or deal with the
In the land-based industry; in the UK, Germany and the Netherlands, many community services activities are commonly performed, such as regarding housing, transportation, and energy; in Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden cultural, sport and recreational activities are commonly performed by social enterprises. However, in some countries, such as Belgium, Germany, UK and the Netherlands, social enterprises breadth of activities involves the full set of activities performable in any economy, such as sustainable consumer products and services, creative and digital services and business services.

Another relevant role is played by cooperatives, which in Europe are important in protecting the jobs of some categories, such as farmers and small entrepreneurs, which survive thanks to economies of scale provided by cooperatives (Euricse, 2013). In particular, cooperatives are important to stabilize the economy in sectors with uncertainty and price volatility, such as agriculture and finance. As far as agriculture is concerned, cooperatives help reducing the price volatility that characterizes this sector and provides more stability to the producers’ activity. As far as finance is concerned, cooperative banks have a stabilizing influence on the banking system in general. According to the 2013 Social Economy Guide issued by the European Commission, cooperatives do play a major role within some sectors. For example, in 2009-2010 agricultural cooperatives contribute to the aggregate market share in the processing and marketing of agricultural commodity by 60%, and by 50% in the supply of inputs. Also in the bank sector cooperatives are quite present, having an average market share of 20%. Indeed, in the same time period, the European Union accounted for around 4200 credit cooperative banks with 63000 branches, 50 million members, 181 million clients, 780000 employees and 5,65 trillion Euros of assets. Also in the retail sector cooperatives have a significant presence. Indeed, in Europe there are 3 200 consumer cooperatives that employ 400 000 people and have 29 million members, 36 000 points of sale, and €73 billion of turnover.

### 3.2.2 GDP and employment data

Despite the fact that the precise contribution of the social economy to GDP and employment is hard to assess, at the moment some estimates can help give an idea of the breadth of the phenomenon and its contributions to the economy. The World Co-
operative Monitor Reports can help us gain a global perspective of the breadth and importance of the co-operative sector. The organization taken under consideration for the data collection include cooperatives, cooperative groups and networks, mutual societies and non-cooperative enterprises controlled by cooperatives. The 2017 report shows a total turnover of the top 3000 cooperatives at the global level equal to 2164.23 billion US dollars in 2015, against a turnover of 2533.1 billion US dollars in 2014, 2360.05 billion US dollars in 2014 and 2205.7 billion dollars in 2012. 2015 therefore witnessed for the first time a decreasing trend, against the increasing trend of the previous three years. To these, data collected by other 1436 cooperatives around the world with a turnover of more than 100 million US dollars should be added. Even though this cannot be considered as a total estimate of the phenomenon worldwide, it can help give us some perspective on the dimension and general trend of the phenomenon. Zooming down to the European level, the data that will be used in the following pages refer to the CIRIEC reports of 2012 and 2017, which base on the concept social economy, and therefore look appropriate for the description of the phenomenon of social entrepreneurship. The problem of data collection and statistical analysis of the topic is present also in these reports: lack of knowledge about specific statistical harmonized methods, lack of funds, institutions and consensus enabling the preparation of regular and strong statistics are among the reasons why we have little data on the topic and little accuracy, together with the additional issue that data coming from different countries are hard to compare. Despite the fact that such data need to be treated with caution, numbers referring to such entities can help give an idea of the status of social entrepreneurship in the area. The 2012 report estimated that the social economy accounted for about 6% of the GDP in the European Union in 2010. The target set by the “Europe 2020” strategy is to make it account for 9% by the year 2020. According to the CEREIC report of 2017, in the European Union the number of entities working in the social economy have been growing: there were approximately 2.8 million social economy organization in 2015, against 2 million entities registered in 2010. The figures below show data collection carried out by CIRIEC about employment in this sector across the countries belonging to the European Union.
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<tr>
<td>Luxembourg</td>
<td>3.4%</td>
<td>700</td>
<td>770</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.6%</td>
<td>1,060</td>
<td>1,120</td>
</tr>
<tr>
<td>Greece</td>
<td>3%</td>
<td>900</td>
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<tr>
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</table>
Table 4: the numbers of the social economy in the European Union (2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Cooperatives and similar</th>
<th>Mutual Societies</th>
<th>Associations &amp; Foundations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>70.474</td>
<td>1.576</td>
<td>236.000</td>
<td>308.050</td>
</tr>
<tr>
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<td>23.904</td>
<td>17.211</td>
<td>362.806</td>
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<td>Bulgaria</td>
<td>53.841</td>
<td>1.169</td>
<td>27.040</td>
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<td>Croatia</td>
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<td>10.981</td>
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<tr>
<td>Cyprus</td>
<td>3.078</td>
<td>(n/a)</td>
<td>3.906</td>
<td>6.984</td>
</tr>
<tr>
<td>Czech R.</td>
<td>50.310</td>
<td>5.368</td>
<td>107.243</td>
<td>162.921</td>
</tr>
<tr>
<td>Denmark</td>
<td>49.552</td>
<td>4.328</td>
<td>105.081</td>
<td>158.961</td>
</tr>
<tr>
<td>Estonia</td>
<td>9.850</td>
<td>186</td>
<td>28.000</td>
<td>38.036</td>
</tr>
<tr>
<td>Finland</td>
<td>93.511</td>
<td>6.594</td>
<td>82.000</td>
<td>182.105</td>
</tr>
<tr>
<td>France</td>
<td>308.532</td>
<td>136.723</td>
<td>1.927.557</td>
<td>2.372.812</td>
</tr>
<tr>
<td>Germany</td>
<td>860.000</td>
<td>102.119</td>
<td>1.673.861</td>
<td>2.635.980</td>
</tr>
<tr>
<td>Greece</td>
<td>14.983</td>
<td>1.533</td>
<td>101.000</td>
<td>117.516</td>
</tr>
<tr>
<td>Hungary</td>
<td>85.682</td>
<td>6.948</td>
<td>142.117</td>
<td>234.747</td>
</tr>
<tr>
<td>Ireland</td>
<td>39.935</td>
<td>455</td>
<td>54.757</td>
<td>95.147</td>
</tr>
<tr>
<td>Italy</td>
<td>1.267.603</td>
<td>20.531</td>
<td>635.611</td>
<td>1.923.745</td>
</tr>
<tr>
<td>Latvia</td>
<td>440</td>
<td>373</td>
<td>18.528</td>
<td>19.341</td>
</tr>
<tr>
<td>Lithuania</td>
<td>7.000</td>
<td>332</td>
<td>(n/a)</td>
<td>7.332</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2.941</td>
<td>406</td>
<td>21.998</td>
<td>25.345</td>
</tr>
<tr>
<td>Malta</td>
<td>768</td>
<td>209</td>
<td>1.427</td>
<td>2.404</td>
</tr>
<tr>
<td>Netherlands</td>
<td>126.797</td>
<td>2.860</td>
<td>669.121</td>
<td>798.778</td>
</tr>
<tr>
<td>Poland</td>
<td>235.200</td>
<td>1.900</td>
<td>128.800</td>
<td>365.900</td>
</tr>
<tr>
<td>Portugal</td>
<td>24.316</td>
<td>4.896</td>
<td>186.751</td>
<td>215.963</td>
</tr>
<tr>
<td>Romania</td>
<td>31.573</td>
<td>5.038</td>
<td>99.774</td>
<td>136.385</td>
</tr>
<tr>
<td>Slovakia</td>
<td>23.799</td>
<td>2.212</td>
<td>25.600</td>
<td>51.611</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.059</td>
<td>319</td>
<td>7.332</td>
<td>10.710</td>
</tr>
<tr>
<td>Spain</td>
<td>528.000</td>
<td>2.360</td>
<td>828.041</td>
<td>1.358.401</td>
</tr>
<tr>
<td>Sweden</td>
<td>57.516</td>
<td>13.908</td>
<td>124.408</td>
<td>195.832</td>
</tr>
<tr>
<td>U. Kingdom</td>
<td>222.785</td>
<td>65.925</td>
<td>1.406.000</td>
<td>1.694.710</td>
</tr>
</tbody>
</table>

Some conclusions can be drawn by these data. The most present group employing more people is the one composed by associations, foundations and similar forms. Indeed, in all time periods this group was hiring more than twice as many people compared to cooperatives, and in 2015 associations and foundations accounted for about 66% of the total number of organizations, whereas cooperatives accounted for about 31% and mutual societies for about 3%.

Observations can be made on the employment trends. In 2002-2003, paid jobs in the social economy accounted for about 11 million jobs, being 6% of the total European paid workforce. Data about paid employment in 2009-2010 show that there has been an increasing trend: jobs in the social economy in 2010 were about 14,5 million, corresponding to 6,5% of the total working population, increasing by 26,79%. However, the trend changed in the following years. Indeed, in 2015 the estimated amount of paid employees in the European social economy equals about 13,6 million jobs, equivalent to 6,3% of the total European working population, therefore witnessing a decrease by 3,6%. The reduction of paid jobs in also clearly heavier within the cooperatives, which lost jobs for 7,8%, whereas associations and foundations lost only 2,2%. Although this general decrease might also depend on the quality of the statistical data available, it should be noted that the decrease in employment in those years was due to the effects of the economic crisis. However, it must also be noted that the social economy has shown to be quite resilient since it has gone through the economic crisis almost unharmed, registering a drop by only 0,2% in the total European working population.

It should also be pointed out that the employment situation in the social economy is very different from country to country. Some countries, such as Belgium, Italy, Luxembourg, France and the Netherlands, employ between 9% and 10% of their working population in this sector. On the other hand, some other countries, the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia see not even 2% of their working population in the social economy. These countries probably still need to invest and sustain the national social economy according to European standards and push so to reach the level of the other countries.

As far as volunteer work is concerned, in 2015 the European Union accounted for a total amount of about 82,8 million volunteers, of which 5,5 million are full time. It is
important to notice that volunteer work does not have a measurable economic value, but it is fundamental in this sector and has economic impact that contributes to the wealth of the country and the gross national product.

3.2.3 GDP and employment of social entrepreneurship in Italy

It appears appropriate to also illustrate briefly how the situation of the social economy is in Italy. Unfortunately, also in this case there are not many recent and accurate reports and data available due to the problems mentioned before. Data about social enterprises in Italy can be drawn by the 2014 report “L’impresa sociale in Italia: identità e sviluppo in un quadro di riforma” issued by Iris Network, on which the rest of this paragraph will be based. The report distinguishes the social entrepreneurial organizations in Italy into four different forms: social cooperatives formally recognized as such by the Italian legislation (constituted according to the law n. 382/91); social enterprises formally recognized as such by the Italian legislation (constituted according to the law n. 118/05); market-oriented not-for-profit organizations, such as associations, foundations, volunteering associations, etc. (excluding social cooperatives), which are characterized by the pursue of social objectives leveraging resources that come from exchanges in the market, both in the private and the public spheres; for profit enterprises which operate in the same sectors of the category of social enterprises according to the law n. 118/05; other enterprises with the words “social enterprise” in their company name, but are not registered under that legal form in the commercial registry. Table 5 shows, when possible, the number of such organizations, of their employees, volunteers, beneficiaries and production value.

Table 5: Social entrepreneurship in Italy

<table>
<thead>
<tr>
<th>Organizational type</th>
<th>Number</th>
<th>Employees</th>
<th>Volunteers</th>
<th>Beneficiaries</th>
<th>Production value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social cooperatives (law n. 382/91)</td>
<td>12 570</td>
<td>513 052</td>
<td>42 368</td>
<td>5 000 000</td>
<td>10,1 billion</td>
</tr>
<tr>
<td>(2013)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social enterprises (law n. 118/05)</td>
<td>774</td>
<td>29 000</td>
<td>2700</td>
<td>229 000</td>
<td>314 million</td>
</tr>
<tr>
<td>(2013)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Focusing on social cooperatives, basing on the same Iris Network report, studies on the durability of such organizations are scarce, which leads to little acknowledgement of their important role and social and economic relevance, especially in times of crisis. Social cooperatives have witnessed an outstanding development since they were firstly introduced as a recognized legal form in 1991. Indeed, social cooperatives grew in numbers from 650 in 1985, to 7400 in 2005, to 11264 in 2011. In 2011, social cooperatives employed 29,4% of the employment in the overall cooperative sector, in total 513 052 workers, of which 62,9% is full-time employed and 25,2 is temporary or seasonal workers. It is interesting to notice how relevant the presence of women in this sector is: 73,9% of workers in social cooperatives are women. Also, cooperatives employ many young people, as 34,9% of employees are under 35 years old. Moreover, social cooperatives employed many people belonging to disadvantaged groups, for an amount equal to 30 534 workers, which is 27,1 % of employment in type B social cooperatives and 6,8% of employment in social cooperatives in general. Data about employment during the economic crisis from 2008 to 2011 show how statutory employment grew by 8,3% and temporary employment by 12,2%, and of workers belonging to disadvantaged groups by 17%. It is also important to notice that these date show that social cooperatives recorded an overall increase in employment in the

<table>
<thead>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market-oriented no-profits (2011)</td>
<td>82 231</td>
<td>440</td>
<td>1 627 908</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>For-profits operating in the fields of the law n. 118/05 (2011)</td>
<td>6176</td>
<td>446</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Organizations containing “social enterprise” in the company name (2013)</td>
<td>574</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


Social cooperatives
Focusing on social cooperatives, basing on the same Iris Network report, studies on the durability of such organizations are scarce, which leads to little acknowledgement of their important role and social and economic relevance, especially in times of crisis. Social cooperatives have witnessed an outstanding development since they were firstly introduced as a recognized legal form in 1991. Indeed, social cooperatives grew in numbers from 650 in 1985, to 7400 in 2005, to 11264 in 2011. In 2011, social cooperatives employed 29,4% of the employment in the overall cooperative sector, in total 513 052 workers, of which 62,9% is full-time employed and 25,2 is temporary or seasonal workers. It is interesting to notice how relevant the presence of women in this sector is: 73,9% of workers in social cooperatives are women. Also, cooperatives employ many young people, as 34,9% of employees are under 35 years old. Moreover, social cooperatives employed many people belonging to disadvantaged groups, for an amount equal to 30 534 workers, which is 27,1 % of employment in type B social cooperatives and 6,8% of employment in social cooperatives in general. Data about employment during the economic crisis from 2008 to 2011 show how statutory employment grew by 8,3% and temporary employment by 12,2%, and of workers belonging to disadvantaged groups by 17%. It is also important to notice that these date show that social cooperatives recorded an overall increase in employment in the
middle of the economic crisis, whereas the other type of cooperative in the same years witnessed a decrease in employment.

In 2011, social cooperatives produced an overall production value of 10,1 billion Euros and invested 8,3 billion. There are differences between the north and the south of the country. Indeed, 65,8% of the production value and 63,7% of invested capital happened in cooperatives in the north of the country. In the south of Italy, social cooperatives are on average smaller in economic and employment terms, and show less capitalization and more efficiency problems. Also, the analysis of the sector shows how social cooperatives operating in the field of social and health assistance produced 69,9% of the total production value and 65,8% of the investments, demonstrating the relevance of this field among social cooperatives. Indeed, as far as field of activities are concerned, in 2014 social cooperatives mainly operated in the following service:

- Social care and civil protection (40%);
- Economic development and social cohesion (including “type B” or “working integration social cooperatives”) (32%);
- Health (11%);
- Education and research (8%).

The described situation of the evolution of social cooperatives shows how, despite the economic crisis, they were able to obtain positive growth in different forms between 2008 and 2011: production value grew by 14,1%, invested capital by 19,4%, statutory employees by 8,3% and temporary employees by 12,2%, with an overall employment growth of 8,2%. Overall, these data confirm that social enterprises have a counter-cyclical function in both economic and employment terms, showing different trend during the crisis compared to other form of enterprises due to their features that allow them to better react to negative economic shocks.

**Social enterprises**

As far as social enterprises in general are concerned, basing on the same Iris Network Report, according to data including social cooperatives and other no-profit entities which engage in entrepreneurial activities, between 2003 and 2012, their number more than doubled, going from 8500 entities to 17600. Also employment grew substantially, increasing by 114% during those nine years. In particular, in 2013 there
were almost 474,000 workers employed in social enterprises, 97% of which operated in the service sector. Social enterprises main fields of activity are indeed health services and social assistance and education and training, but also other fields are growing, such as culture, restaurants and leisure activities. Also social enterprises are proving to be quite resilient to the economic crisis. In 2013, only 27% of social enterprises recorded a decrease in income, and in the majority of cases such decrease was not significant, whereas in the rest of the economy organizations recorded an average loss in income of 41%.

More specifically, the social enterprise model, together with the family enterprise model, is able to better safeguard employment level. Some analysis were effectuated by Iris Network on social enterprises officially registered on the commercial registry between 2010 and 2012. Records of those years also show an increase in number, with 348 social enterprises in 2010, 439 in 2011 and 562 in 2012. These social enterprises are mainly business or mutual-type associations, and the number of the latter became prevalent in those three years, growing from 28,2% in 2010 to 43,2% in 2012, while the first type decreased from 42,2% in 2010 to 35,1% in 2012.

As far as the distribution of such social enterprises on the territory, they mainly concentrate in the south of the country (51,1% in 2010; 49,9% in 2011; 44,5% in 2012), followed by the north-west (14,4% in 2010; 15,7% in 2011; 17,6% in 2012), the center (15,8% in 2010; 16,9% in 2011; 17,3% in 2012), north-east (8,0% in 2010; 8,2% in 2011; 10,7% in 2012) and the islands (10,6% in 2010; 9,3% in 2011; 10,0% in 2012). Comparing such results, despite the evidence that the phenomenon concentrates in the south of the country, it is also clear that, while in the south and in the islands the number is decreasing, it is increasing in the north and the center.

The report estimates a total amount of about 29,000 workers in the 770 social enterprises recorded in the section L of the commercial registry. Of these workers, it was estimated that they are for the greater part women (87%) and statutory workers (70%). There has been a decrease in employment in the three years considered, with a -0,8% between 2012 and 2013, but it is still more resilient compared to the overall economy loss in employment of 1,5% the same year.

The study also did an attempt to estimate the value produced by the legally recognized social enterprises. However, it was not possible to collect data from all the existing
social enterprises, so that the final result refers to only a part of the total amount. The value produced by this part of social enterprises has been growing in the three years, from almost 145 million Euros in 2010 to about 228 million Euros in 2012. This is a neglectable amount, especially if compared to the fact that social cooperatives in 2008 was equal to 10,1 billion. There is also a significant difference in investments, which were of 282 million Euros by social enterprises in 2012, against 8,3 billion of social cooperatives in 2008. Comparing numbers, it seems like social cooperatives are the main representative of social entrepreneurship in Italy.

As far as the main fields of activity is concerned, the majority of social enterprises is active in the field of education and social and health assistance, which together involve more that 60% of social enterprises, while the rest of the social enterprises are mainly engaged in other kind of service provision (support to enterprises, art and culture, etc.).

### 3.3 Innovation

Another important contribution social entrepreneurship has on societal and economic development is the development of important innovations (Social Economy Guide, 2013). The social economy is able to promote social innovation because they are in direct contact with social needs and can solve them innovatively thanks to their flexibility and their ability to channel them to the respective authorities or business enterprises. The areas where they are able to innovate include all the field identified by Schumpeter: product, process, market and organizational. Indeed, social enterprises can innovate in many fields, such as work integration and so on, but also technological innovation and product innovation, especially when supporting social welfare services. They can shape the supply so that it fits the unsatisfied needs, also thanks to its capacity to change cultures and values (CIRIEC, 2012).

In the medium run, social entrepreneurial activities can function as a useful tool to promote reforms within the welfare state (Leadbeter, 1997). In particular, social enterprises can be considered an innovative actor in the local economic development today because they put into practice innovative microeconomic strategies to cover the market failures and have success where markets are restricted and there is a situation
of economic depression, lack of capital and purchasing power. They can contribute to the development of the economy and the social welfare by solving problems in new ways, expand the array of potential solutions and foster experimentation, and such innovations achieve their maximum potential if they can be also adopted and applied by the public sector. As it often happens in the private sector with innovation transfer from small to bigger companies, in the same way, the public sector should spot and spread best practices in social services provision so that social innovation can be transferred and adopted at the higher levels. This will bring value to society as a whole. Another benefit listed by the author is supply-side efficiency. Indeed, the solutions pushed forward by social entrepreneurial activities tend to be characterized by major flexibility, commitment from the employee and less bureaucracy, which has an overall effect of major cost effectiveness compared to standard social welfare provision. Therefore, if the state adopted the same methods, citizens could receive more innovative and less costly social services. Another advantage for the state would therefore be increased efficiency and consequential saving in public spending. This is more likely to happen where the welfare state is going through a process of decentralization and tends to contract out social services provisions. It is therefore important that policies push for the establishment of forms of collaboration with the public sector.

How does social innovation happen in Europe? The SEFORIS European research project investigated the core processes used by social enterprises to foster inclusion and innovation. The aim is to assess how and to what extent not-for-profit and for-profit organizations engage in social innovation processes. In this case, social innovation is defined as the development of services and products that give to the vulnerable groups more possibilities to access basic provisions. The SEFORIS project surveyed more than 1000 social enterprises between April 2015 and December 2015 in nine countries: Hungary, Romania, Portugal, Russia, China, Sweden, UK and Spain. Figure 8 represents the degree of innovativeness of the sample of social enterprises in the countries considered in the study.
Figure 8: percentage share of social enterprise which introduced an innovation in 2015 (graph on the left) and percentage share of social enterprise which introduced new-to-market innovation in 201 (graph on the right).

Source: SEFORIS Research Consortium (2016)

Looking at figure 8, it is clear how in all the countries considered, social entrepreneurs have been quite innovative, with an average share of 84,1% of social enterprises which introduced new services, products or processes in the market during 2015. Such innovation is not only implementation of existing solutions and is represented by the figure on the left. The level of disruptive innovation, which refers to the introduction of services, products and processes new to the market, represented by the graph on the right, is quite relevant as well and represents the major part of the total, with an average among the countries of 68,6%.

According to the same survey, 78% of the social enterprises involved in the research project had to face several challenges in order to innovate. The kind of barrier varies from country to country. The results of the survey are shown in figure 9 below.
Figure 9: breakdown of the year single most relevant barrier to innovation encountered last.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Innovation Barriers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Finance-related</td>
</tr>
<tr>
<td>China</td>
<td>17</td>
</tr>
<tr>
<td>Germany</td>
<td>49</td>
</tr>
<tr>
<td>Hungary</td>
<td>64</td>
</tr>
<tr>
<td>Portugal</td>
<td>24,5</td>
</tr>
<tr>
<td>Romania</td>
<td>28,5</td>
</tr>
<tr>
<td>Russia</td>
<td>61</td>
</tr>
<tr>
<td>Spain</td>
<td>71</td>
</tr>
<tr>
<td>Sweden</td>
<td>36</td>
</tr>
<tr>
<td>UK</td>
<td>52</td>
</tr>
</tbody>
</table>

Sample Size:
- Portugal: N = 78
- Germany: N = 74
- Spain: N = 76
- Hungary: N = 95
- Russia: N = 89
- Sweden: N = 95
- China: N = 101
- UK: N = 104

Source: SEFORIS Research Consortium (2016)

The most common barrier across the countries considered was finance-related, in particular for Germany, Hungary, Russia, Spain, Sweden and UK. Portugal and Romania mostly meet regulation and institution-related barriers, and China most frequently replied market-related and organization specific barriers.

Given these data and generalizing it to a wider perspective, it can be said that it is confirmed that social enterprise are generally innovative, and most frequently in a disruptive way. However, it is also important to notice that there are many perceived barriers to innovation and that the vast majority of social enterprises is forced to face such obstacles, which therefore should be addressed and solved by policies.

As earlier discussed, social enterprises fields of action are mostly in general interest services. It can therefore be deduced that social enterprises are key promoters of social innovation as they address social problems in an innovative way where the market or the state fails to cover those needs. This brings obviously societal and economic benefit and foster the overall societal and economic development of the country considered.
Unfortunately, there is no data collection available on how much social enterprises contribute in addressing social needs in an innovative way at the European level. Unfortunately, there are no data at the European level. However, the Community Innovation Survey carried out in 2015 in the region of the Flanders (Adries and Daou, 2017) can provide some insightful evidences that the social economy does engage in social innovation processes and that such innovation enhanced access of socially vulnerable groups to basic service provisions. The survey involved 5000 for-profits and 992 not-for-profit entities and investigated innovation activities between 2012 and 2014.

68% of for-profit organizations stated that they engaged in social innovation activities, and of these, 15% introduced innovations that improved access to basic services to vulnerable groups. The drivers of for-profits to engage in social innovations were mostly their social vision and economic positive outcomes, such as increase in sales and profits or cost reduction.

As far as not-for-profit organizations are concerned, 47% of the surveyed entities stated that they introduced innovations, of which 41% affirmed that they improved access to basic services to vulnerable groups. The drivers to engage in social innovation were mainly their social vision and the access to grants and subsidies.

Both for-profit and no-profit organizations’ target vulnerable groups belonged to their customers and employees. The provisions to which they improved access the most were employment and education and training, but also other services were improved, such as energy and transport, nutrition and drinking, healthcare, affordable housing.

The fact that the social economy engages in social innovation, with some focus on providing access to services to vulnerable groups, is of particular strategic importance for the European Union goal of inclusive growth, since Europe is facing difficulties regarding inequality reduction and social exclusion, especially increased poverty level and unemployment left by the economic crisis.

Following, some data on social innovation in Italy will be provided as an example of to what extent and how organization promote social innovation at a national level.
3.3.1 Social innovation in Italy

As far as social innovation trends in Italy are concerned, some conclusions can be drawn from the third CERIIS report on social innovation, “L’innovazione delle imprese leader per creare valore sociale” by Caroli, 2016. The report contains a study conducted in 2016 on a sample of 578 cases of organizations engaged in social innovation, which is here intended as different forms of activities which solve diverse social needs in an innovative way. Such cases belong to four different categories of organizations: for-profit organizations, which includes both business and social enterprises (33%); no-profit organizations, which includes association, foundations, social cooperative, not-commercial entities, such as research centers and universities (53%); public entities (12% of the sample); community, intended as general category of belonging of physical people (2%). According to the sample, therefore, no-profits lead social innovation in Italy. However, it is interesting to notice how the percentage of for-profit entities engaged in social innovation grew: the year before, 24% of the sample was composed by for-profit entities. This shows and increasing interest from business and social enterprises towards the topic and a push from the market and the state to innovatively address social issues.

The main fields of activity identified are: social integration, social assistance, training, environmental enhancing, crowdfunding-microcredit, coworking-smartworking, life quality, culture, sustainable mobility, sustainable tourism, urban and suburbs requalification.

As far as the fields of action in which such activities operate are concerned, the study shows how they are mainly engaged in the fields of:

- social integration (16%), which deals with the integration of disadvantaged groups, handicapped people, immigrants, etc.;
- social assistance (13%), which consists in support to disadvantaged people, social housing, elderly care;
- training (11%)
- and environmental enhancing (11%).

The most represented areas, social integration and social assistance, correspond to those who where typically managed by the welfare state. Since the welfare state is going through a crisis, social innovation activities is filling the gap. The least
represented area is health care (4%), probably due to the high costs required. Also the other fields are quite represented, fact that shows how social innovation is a quite heterogeneous field.

As far as the type of innovation involved, the study takes under consideration two kinds of innovation: technological innovation, which involves the product and service offered or the organizational and decisional processes used; relational innovation, which involves the relationships and roles that actors have and which may change. The third possible innovation involves both kinds, technological and relational. According to the study, 53% of the sample engaged in relational innovation, whereas 21% triggered technological innovation, and the remaining 26% used both. The fields which mainly use relational innovation are social integration, social assistance, coworking-smartworking, while those that make less use of this innovation appear to be the main users of technological innovation, such as environmental enhancing and healthcare, together with social integration. Those fields that make major use of both kinds of innovations are training and, once again, social integration. These results show that quite obviously, the type of innovation applied depends very much on the nature of the field itself: it is not a surprise that the scientific fields make mostly use of technological innovation. It is interesting to notice that relational innovation overall prevails, which can be taken as an evidence of the fact that social innovation is mainly a collective process which sees many actors involved and where cooperation, relationships and the community dimension are fundamental.

The four above-mentioned actors can engage in social innovation either as actuators, meaning as actively doing it, or as promoters, meaning as sustaining or financing actors. Among promoters, it is interesting to see that a significant agent is represented by networks of promoters (39%), fact that once again shows how social innovation is a collective process which allows the organizations to amplify their support by sharing and accumulating knowledge, skills and resources to help the success of the social innovation initiative. As far as promoters are concerned, networks are followed by no-profits (26%) and by for-profits (18%). Both as actuators and promoters, but especially as promoters, no-profits engage mainly in relational innovation. This might be because no-profits have little financial resources and therefore preferably act as promoters.
rather than concrete actuators. This fact also shows the importance of social capital in social innovation and social entrepreneurship, as will be later discussed.

The public sector and for-profits also have a high percentage of engagement in technological innovation, and this is evidently thanks to the contribution of public grants favouring social innovation and the knowledge contribution of universities.

As far as economic sustainability is concerned, 54% of the sample cases has potential for economic sustainability, whereas the remaining 46% does not enjoy such feature, following the trend of the previous year. The most economically sustainable kind of innovation seems to be the relational one (65%), whereas only 12% of technological innovation initiatives and 22% of combined innovation are. This is probably because relational innovation does not require big investments, or even opens doors to unlock capital and leverage other’s resources, while technological innovation usually requires more compelling financial efforts. Also, the most economically sustainable social innovation initiatives appear to happen in the fields of social assistance and crowdfunding-microcredit.

Other data on innovation processes happening in social enterprises can be drawn from the 2014 8th Isnet report based on a survey among 400 social enterprises. This report distinguishes among four types of innovation: deliver new value through new services and products development; deliver the existing value to new categories of clients; deliver the existing value in new geographical areas in which to operate; increase the value through the enhancement of the internal processes and organization. Isnet also developed an innovation index: innovation is considered low if in the previous year there have been initiatives in between zero and one innovative areas; medium between two and three innovative areas; high between three and four innovative areas. According to the report, in 2013 93% of the sample did at least one innovative initiative in one of the four areas, with an average index of 1,9. These values come back close to the ones of 2011 and are an improvement compared to 2012, when the innovative enterprises were 88,3% with an innovation index of 1,8.

Also, the area of major interest is the one of enhancement of internal processes and organization because it allows to reduce costs and re-establish the equilibrium after the loss in income streams caused by the economic crisis. Indeed, this kind of innovation was introduced by 74,3% of the sample, which is 3% more than the
previous year. Increases are recorded also in the area of serving new clients (+6.3%) and new geographical areas served (+1%). Therefore, between 2012 and 2013 was estimated an increasing trend in the process of innovation and investments, after the decreasing trend the year before that, and went back on the level of 2011. Furthermore, there is a positive correlation between innovation and economic performance. According to the survey, those social enterprises that were most recently established and those located in the north-west of Italy are those with the highest innovation index. There also is a positive correlation between relational dynamicity and innovation. Indeed, 47.8% of the social enterprises which increased relationship shows a high innovation index, against 28.4% of the social enterprises who didn’t increase their relationship.

Despite this trend, the 2017 Isnet report shows how in 2016 social enterprises were mainly dissatisfied with their level of innovation: indeed, 70% of social enterprises in the sample replied that they could have done more innovation, while only 30% stated that they accomplished all their innovation goals that year. Among the reason of this lack of innovation, the main one was the lack of financial resources, which was mentioned in 84.3% of the cases. This result is in line with the results of the Seforis project mentioned earlier, where the majority of the social enterprises in the countries considered stated that their main barrier to innovation was related to the lack of resources. The other external barriers mentioned by the 2017 Isnet report were little response from the market in both the public and private spheres (33.6%) and little presence of potential partners (31.45). As far as internal barriers are concerned, social enterprises mentioned that they needed more organizational capacity (51.4%), more attention to opportunities (38.6%), more creativity (25.7%) and less internal resistance to change (21.4%).

3.4 Local economic development
3.4.1 The concept and process of local economic development
Social enterprises, beyond giving important contributions in the national economic development, plays an important role in local economic development, especially where there are situations of economic crises, social segregation and polarization.
What is local economic development? According to the World Bank, “The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.” and “Local economic development (LED) offers local government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive.” Local economic development involves all activities at the local or regional level that effect the localities. Local economic development can be considered as a form of development from within, or bottom-up development. According to the bottom-up development approach, or basic-need approach, whose main representative is Amartya Sen, development needs to start from basic local needs, against the traditional idea of top-down development, driven by the government which plans what needs to happen. This top-down initiatives need to move towards and cooperate with bottom-up approaches. Bottom-up approaches are deeply embedded in the territory they aim at developing and are based on the community involvement in the decision-making processes, following the idea that territories should somehow chose or be part of their development process. These approaches leverage local resources, and is therefore place based, focusing on the features of the territory. This kind of development from within has therefore its origin on the very local people and actors, which are aware of the fact that their needs will not be met from the state intervention or from the market economy, and at the same time do not want to leave their home. Consequently, disadvantaged individuals, groups or communities start a process of economic self-help, which can also result in the birth of new firms or social enterprises. All these features ring a chord with the figure of the “social bricoleur” described in the first chapter: they leverage local resources and skills to solve community problems and are able to do so because of their knowledge of the local contest, providing small scale solutions. These self-help strategies are based on practical experience and trial and error learning processes, and networking plays a fundamental role in their success. These strategies are spontaneously adopted in many different parts of the world with completely different
geographical, cultural, economical backgrounds and at different times, without them communicating or imitating each other. Local economic development is deeply embedded in the context it develops in, and the single processes are therefore not replicable elsewhere. Attempts to copy other’s success stories tend to fail, so each locality needs to find its own solutions which suit their particular context and capabilities. Therefore, local economic development should not be considered a result, but a process.

The process of local economic development can be described as divided into three phases (Birkhölzer, 2009): building ground to the community; further economic development; establishing a working community economy. For local economic development to be possible, the community is the starting point and needs to exist. Although these initiatives are not based on a previous theoretical framework in common, some shared characteristics can be identified (Birkhölzer, 2009). To start with, local economic initiatives conceive the community as an economic system with common economic objectives, also called common good. Another important feature is that economy is intended in a broader holistic way, including not only good production and service provision, but also activities concerning the environmental, social and cultural contexts. As a production and reproduction economic cycle, local development is concerned also with environmental, cultural and social resources, which must be preserved and produced to safeguard the community development. These same concerns do not belong to firms or national governments, which usually do not prioritize the survival of these features. They need to be preserved and reproduced because they are limited in the localities and their wrong exploitation might threaten the survival of the local economy. As a consequence, the reproductive capacity is one of the main goals of local economic enterprises. Another important characteristic of local economy activities is that the final goal is not making money but serving needs, therefore focusing on the demand-side. However, demand is usually intended as accompanied by purchasing power, and when that is lacking, the state or the local government should provide the needed goods and services people cannot afford. However, local governments might not have the necessary resources to sustain disadvantages communities, because income coming from the same community is scarce as well, so that vicious circles are formed. The way out of it is therefore not how
to make more public resources available, but how to generate new sources of income in the local community. Surprisingly, the possibilities to create new sources of income are hidden right within the unmet needs of such communities. Studies have been done to find out where this hidden potential for employment and economic growth lies at the local level. These fields can be described as follows (Birkhölzer, 2009): serving basic needs like food and housing, decentralized and small-scale technical systems for energy, transport, water supply and waste disposal; proximity or neighborhood services of all kinds; local cultural activities and cultural heritage; leisure and recreation services; environmental protection, prevention and repair; municipal infrastructural services. As a fourth feature, all these activities in local economic development are not carried out singularly, but need to be chained together so that a virtuous economic cycle can be established. The interconnection of these activities is useful so that wealth and money can circulate within the community as much as possible. The activities, however small, need to fit and form a chain so that work and income are generated locally and circulate internally. The difficult part usually is to find the activity to start the circle from. Even if money, usually considered the starting point, is not available, there are many possible alternatives, such as volunteering, investment or exchange of working time to build the local economic cycle and keep it moving. The last relevant characteristic of local economic development consists in the importance of social capital, which are the relationships and ties formed within the community. Communities might have enough physical and financial capital. However, in situation of crisis, the capacity, knowledge and abilities of local people are the most important resource, which are often forgotten in localities with significant ongoing economic crisis situations. Local economic development therefore is also about putting at work these unused capabilities and transform it into productive capital. Social capital is important for the creation of the community itself, which is the first step for local economic development, and the creation of the above-mentioned virtuous economic circle, which will be later on described.

3.4.2 Social economy contribution to local economic development
Given this conception of local economic development, how does the social economy contribute in achieving it? The reason why the social economy entities are capable of
achieving a positive social and economic impact, especially at the local and community level, lays in the very origin of their existence (Birkhölzer, 2009). Such organizations coordinate a plurality of actors and stakeholders that chose to cooperate in order to produce goods or deliver services to their members or to the community at better conditions than the market or the state can. Therefore, the coordination mechanism at the base of the organizations is based on reciprocity, differing from the mechanism dominating the market, where the exchange bases on self-interest, and the one dominating the state, based on the rule of law and bureaucracy. This feature of the social economy naturally calls for a greater involvement of those who are actively participating in the organization while also requiring decision-making mechanism that involve a wider range of stakeholders if compared to other kinds of organizations. Consequently, social economy organizations generally adopt democratic governance methods so that a wider participation among stakeholders is possible, being them donors, workers, volunteer or other actors, who represent the community in which such organizations operate and serve. The involvement of such stakeholders in the governance and management of these organizations and the democratic governance has several effects on local development, among which we can mention the following:

- It enhances its commitment to the community needs and wellbeing and to a socially responsible attitude and makes it so that they stick to the social mission. It is therefore evident how such an organizational structure makes it possible to focus in on the demand-side, engaging actively to address the unmet needs of the community, and not on profit creation, so that the general interest of the community is pursued (the above-mentioned “common good”);
- Such organizations use a range of (local) resources to provide public and general interest services and goods, integrating public offer. This means that they play an important role in expanding the supply of services and goods for citizens, thus generating employment and increase in the wealth and well-being of the community;
- It makes it possible that the environment and resources of the locality are respected and preserved. This is also a characteristic of the social bricouleur mentioned in the chapters before: he/she solves social problems basing on the local resources at hand, however scarce they might be. This feature is
particularly appropriate in terms of local economic development, because attention is paid to the valorization and exploitation of so far unused local resources. Also, ethical values often at the core of such entrepreneurial activities makes it so that attention to the cohesion, community, environmental and overall sustainability is paid;

- This cooperative feature fosters a more inclusive social and economic development at the local level. In this respect, an important feature is that the social economy historically contributes in the fight against unemployment, especially by focusing on disadvantaged groups which would otherwise not find a job. This is particularly important in cases of economic crisis or in disadvantaged areas, where unemployment is severe and the level of social capital is low. The presence of social economy entities addressing this problem in this scenarios plays a fundamental role in improving living standards not only of the disadvantaged groups which find employment, but for the overall community, which might see improvements and positive externalities in other areas, such as public security, social cohesion, crime rate, overall wealth, and so on and so forth.

- A democratic and inclusive governance implies that social economy entities need to have a high level of trust, collaboration and civic engagement among their members, creating social capital. The involvement of citizens in social economy organizations enhances the trust and confidence in the democratic process and the creation of social capital. Social capital creation is important because it triggers the virtuous economic cycle that gives origin to other activities.

- The values of cooperation and openness makes it so that these organizations are more keen to engage in open innovation and social innovation processes. Moreover, the coexistence of a variety of different business models, pursuing different goals with different strategies and ownership structures, increases the competitiveness in the market overall, helps reducing the chances of monopoly formation, provides more choices to the costumers, lowers prices, diminishes information asymmetry and provides opportunities to foster innovation and develop skills.
These are only some of the positive externalities triggered by social entrepreneurial activities at the local level. Obviously, the process starts in the localities, but the effects are perceived and valid also at the national and international levels. In the next sections, the contribution of social enterprises in terms of social capital will be further discusses.

3.4.3 Social capital and innovation

What is “social capital”? Basically, social capital can be explained with cooperation, and is therefore a collective resource based on human relationships, not a capital that can be “owned”. It is the creation of networks and social bounds behind alliances and economic ties. Such ties develop thanks to a culture based on cooperation and is enhanced by common values and trust. The research project on "The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe/ CONSCISE" (CONSCISE, 2001-2003) identified some indicators to find, measure, produce and reproduce social capital. These indicators were:

- first of all the level of trust between the members of the community or organization as well as between the ordinary members and its leaders or authorities,
- the size and quality of reciprocity, i.e. relationships on a basis of mutual help for exchange between the members of the community or organization,
- the existence and quality of generally accepted norms of behavior between the members as well as towards outsiders and newcomers,
- the strength and quality of identity with and commitment for the community or organization,
- the number and quality of social networks of formal as well as informal type,
- finally, but not of the same importance, the quality of information channels within and outside the community or organization.

Generally, trust is the main purpose of social capital, on which other values develop, such as reciprocity, commitment, local identity and shared norms of behavior. Trust and these other values are reinforced and expanded by social networks and communication channels. Studies on such a form of capital (Putnam, 1993; Fukuyama,
stress how long-term relationships and cooperation is highly influenced by shared values and trust, which foster innovation. Therefore, social capital plays an important role in both the private and the voluntary sectors. In this sense, social entrepreneurship starts a virtuous circle of social capital accumulation and brings people together to solve community-based problems which would otherwise be unsolvable. Such a network helps accessing financial and human resources so that the organization can be raised and can develop. The outcomes of such capital are themselves social, such as community building with stronger trust and cooperation ties. The empirical research found that not only social capital can compensate the missing physical or financial capital, but also that it can be invested as any other form of capital to achieve social objectives and accumulate the needed resources for possible necessary future developments. For example, if a community cooperates and forms an enterprise to solve a local problem, when the problem is solved, the enterprise most likely will not be closed, but will go on working and producing economic local development beyond the initial need to which its actions were devoted. Consequently, it is evident how creating and enhancing social capital is extremely important for the local economic development strategies. The presence of social capital and consequent trust is important especially in those area characterized by severe economic crisis or conflicts and so on. Therefore, last but not least, another feature of local economic development is that the premise is the formation and development of a community, as there need to be social infrastructures before even the physical infrastructures. The local economic development therefore starts from non-economic activities.

Regarding social capital, a virtuous cycle can be described which depicts the development of an organization, starting from the inheritance of social capital and ending with its return (Leadbeater, 1997). This shows how social capital is important for the social enterprise and how important it is to create it for the enterprise and the economy in general. The cycle includes six steps, each of which is characterized by the need for different abilities and support: endowment, physical capital, financial capital, organizational capital, paying dividends.

The starting point is the endowment of social capital, which consists on forming a network of contacts and social bonds kept together by common values and interests.
Social capital is very important for social entrepreneurship because it is usually the main or only asset in their possession. Therefore, one of the main activities is to leverage such endowment of social capital to generate more social capital, so that a wider network of trust and cooperation is formed around the project to sustain. Thanks to this initial social capital, access to other resources can be gained, such as physical, financial and human capital. The next step is indeed the access to physical capital, which is important as a referring point and a base to start working. It is a tangible starting point showing that something is being achieved. The next step is access to some financial capital, always thanks to the network, which includes donors and supporters and which is more useful the more rich and diversified it is. This way, fundraising activities can have more success. After social, financial and physical assets are acquired, human resources can be employed. The natural following step is therefore access to the right human capital so that all of these resources can be put into practice effectively and the project can develop successfully, shifting from start up to growth. Indeed, at this stage the organization should start growing more quickly, generating services and products. This stage will attract more shareholders and actors willing to cooperate and contribute to the cause, so that new relationships are formed and new ideas come up. Together with the growing of scope and complexity of the project, the organization will have to develop accordingly. Here is where the step of growing organizational capital happens, with the growing complexity of managing goals, staff, financial resources, stakeholders, goods and services, and so on and so forth. The management of it all will therefore need to become more formalized. If all of this capital creation and leverage and management is successful, the accumulated capital should start growing and start paying back different kind of dividends. For example, useful infrastructures might be provided, which is a form of physical capital which gives a greater benefit to the community. Another kind of dividend, maybe the most relevant one, is the formation of an even wider social capital within the community and outside of it, creating all the benefits coming from more trust and cooperation. As this process is conceived as a cycle, this new, wider network can become the basis for further development, so that the dividends become the endowment for new projects and such. The biggest effort and job of the social entrepreneur is therefore to start this virtuous cycle, and to make the process
successful by making this cycle move as fast as possible, at the same time being careful
to slow it down for consolidation when needed, because if the cycle stops, the
organization risks failure.
This process can be compared with the one undergone by the state and the private
sector. Starting from the state as a welfare provider, it can be said that it usually has a
wider physical and financial capital to start social services provision. However, its
bureaucracy and distance from the community makes it so that trust and goodwill are
difficult to create and develop, so that human capital is easily destroyed and
cooperation and social ties do not concur in the creation of such welfare provision. On
the other hand, the private sector depends on social capital, because trust is what
keeps employees, customers and stakeholders together. However, it does not as
eagerly create social capital, which is often threatened by restructuring and
downsizing.
Social capital is very important also to make social innovation happen. It was stressed
before that social innovation has much to do with cooperation, cross-sector
cooperation and open innovation. A lot of literature proves the positive relation
between social capital and innovation. Indeed, in the knowledge economy, innovation
is not the responsibility of individuals, but it is rather a social process. Therefore, high
levels of social capital not only help communities and societies, but also support
innovation in the knowledge economy, whereas low levels of social capital cause high
costs of transaction, information, search, decision and bargaining, together with low
coordination levels, and so on and so forth.
Social capital positively effects innovation in several ways. Doh and Acs (2010)
consider social capital as constituted by trust, (passive and active) membership and
civic norms, and demonstrate that there is a positive correlation between the level of
social capital and innovation at the national level. Such a conceptualized social capital
will be described below.
Mutual trust helps innovation inside the organization or between different entities by
lowering the need to control, increasing the level of freedom from rules and of ideas
generation thanks to human interactions (Quinn, 1979). At the societal level, trust can
be generalized or institutional (Dakhli & De Clercq, 2004). Generalized trust consists in
the trust people have in the society, which is the interpersonal kind of trust that allows
uncertainty reduction and fosters interactions and communication (Sako, 1992; Beugelsdijk and Van Schaik, 2005). Institutional trust is the one people have on institutions and organization, which allows interactions between people and institutions. These kinds of trust consequently contribute in reducing transaction costs and monitoring costs, sharing of resources and knowledge, cooperation, thus creating a favourable environment for innovation.

Also, dense social networks and cohesive relationships which easily develop within associational activity and community embedded organizations positively affect the degree of trust and commitment, which positively affect innovation in associational activities (Doh and Acs, 2010). Indeed, actors in associational activities are able to innovate quickly because they have access to new ideas, technologies and opportunities thanks to the dense collaborative interactions enabled by the social capital (Fountain and Atkinson, 1998). Also, associational activities involving active and passive membership are an important mean for individuals to exchange information and knowledge with people of different backgrounds, thus facilitating innovation and the creation of social capital (Gargiulo and Benassi, 2000).

Also, civic norms, being the tendency of citizens to cooperate for the common good, play an important role in this perspective. Civic norms usually coexist with associational activities because people committed to public good tend to be participative, exchange knowledge and be cooperative to reach a consensus on the ideal society, and therefore foster innovation (Dakhli and De Clercq, 2004). Therefore, if social norms are embraced by the society, it is more likely that knowledge is shared and that innovation is fostered. Moreover, civic norms help reduce corruption, which is a deterrent for innovation (Veracierto, 2008).

It is easy to see how such a defined social capital is generated by and present within the social economy and social entrepreneurship, where democratic governance, participative nature, social mission and community embeddedness do involve and generate trust, membership and civic norms, thus creating a favorable environment for innovation.
3.5 The social economy amidst the economic crisis

The social economy, together with the public initiatives and next or inside the social welfare system, played a key role as a buffer against the crisis in the short-term, and, by leveraging its peculiar characteristics, can also play a role as a structural way out of it (CIRIEC, 2012).

Social enterprises had a buffer role against the crisis thanks to their social and organizational innovations, which played an important role in making them resilient to insecurity and unemployment. As it was underlined many times, social economy organizations are based on the cooperation and involvement principle and usually have a democratic governance, which enable the organization to reach consensus during times of crisis and allow them to be quite creative, establishing ways from voluntary work to paid employment, developing new services and new jobs, innovating working hours schedules and have, for example, flexibility in working hours, salary, less hierarchy, allowing the organization to maintain some job stability even with less turnover and avoid firing workers to survive. Indeed, their participative and democratic governance makes the employees share risks, ownership and responsibility. This also makes possible that production resources are better distributed to achieve lower unemployment and that major business stability is maintained. Obviously, this kind of governance stimulates employees’ commitment and cooperation, which lead to major acceptance of sacrifices (for instance, wage cuts) and increased efficiency, productivity, output and quality. Indeed, the impact of the crisis on employment has generally been less strong on the social economy compared to the rest of the economy, with a low impact between 2008 and 2010, and heavier losses after those years. However, the reactions of the social economy has been different and with different degrees across the European countries. Evidence on the resiliency of cooperatives during times of financial crisis are provided by the ILO report by Johnston Birchall and Lou Hammond Ketilson. For example, as far as Italy is concerned, between 2007 and 2011, while employment fell down generally by 1,2% and in the business sector by 2,3%, in cooperatives it increased by 8%. Furthermore, comparing growth in added value between shareholder companies and cooperatives from 2006 to 2010, it is clear how it grew in cooperatives by 24,7%, four times more
than in shareholder companies, where it grew by 6.5%. Also the income of workers during the same years grew in cooperatives more than it grew in shareholder companies (29.5% against 12.7%) (Euricse, 2013). Other countries followed the same trend. For example, in France, between 2006 and 2008 the social economy has created 18% of all new jobs, and employment in the social economy kept increasing by 2.9% between 2008 and 2009, creating 70000 paid jobs, while, at the same time, the business sector was losing 1.6% and the public sector 4.2% (Euricse, 2013). Also in Spain, although employment in cooperatives suffered from a severe downturn in 2008-2009 and stagnation in 2010, it recovered faster than the business sector, which kept decreasing in 2011, while employment in cooperatives witness a growth by 4.7% that same year (CECOP-CICOPA Europe, 2012).

As it was already pointed out, the social economy reacted differently to the employment crisis not only by maintaining their jobs thanks to their democratic governance and flexibility, but also by fighting social and labour market exclusion of some groups and employment instability. Throughout history, social economy created new jobs and increased its stability, shifting job positions from the black to the official economy, creating new types of occupations, kept alive jobs in sectors in crisis or about to close, creating paths to employment, especially for disadvantaged and socially excluded groups (CIRIEC, 2012). Indeed, its role is especially important in the role of work integration of groups of people within society who are difficult to employ because they are less competitive, such as people without qualifications, or with physical, mental or social handicaps, immigrants, people who have been unemployed for a long time and found themselves excluded or poor, and so on and so forth. It is an important role, especially given the European Union goal of inclusive growth, an inclusiveness that can be achieved mainly through paid employment which gives people independence, dignity, access to services and participation. This way, social economy entities significantly contribute in diminishing the degree of poverty and exclusion, especially during times of crisis.

The special rules and social aims of social enterprises also played an important role in making them resilient to the crisis. Due to the dual nature of their members, the rules regarding surplus allocation and their mainly non-profit aim, there is no market for the shares of social enterprises, which therefore cannot be bought. Since they have reason
to be and origin in the community and are empowered by the people of such community, it is difficult to relocate them. Their financial surplus cannot be distributed among shareholders, and therefore can use such reserves to be more flexible and go through the financial crisis. Moreover, since people outside the social enterprise trust the organization, they leverage the social capital that helps them with donations and support, enabling them to survive market recession and diminishing public support.

The social economy also reacted differently to the financial crisis due to several reasons. Indeed, at first they were less hit by the financial crisis because they were more connected to the economic activities at the local level than they were to financial asset classes. For instance, cooperative banks’ main purpose is to provide financial services to their members, who have the chance to actively participate on the decision on the management of the bank through their vote, whereas commercial banks’ main purpose is to maximize profit for their shareholders. Therefore, cooperative banks did not get involved in risky financial activities that gave origin to the crisis and stayed focused on lending activities on the real economy instead of engaging in speculative financial products investments, distinguishing themselves from traditional commercial banks. Also, while commercial banks ceased their lending activities to family enterprises during their crisis, cooperative banks kept on delivering this service to their members and the community, sticking to their goal and limiting the damages of the economic crisis to the community. Also, they reacted to financial exclusion by keeping on pursuing their social mission relying on alternative forms of solidarity funding (ethical banking, credit unions, etc.), basing on a general feeling of trust which surrounds social economic organizations. They were also able to provide financial inclusions for groups who were traditionally excluded by the banking sector, working as a gateway to public funding and financial support provider for those with scarce resources, having collective control over salary, pension funds, and generally over the financial flows generated by the organization. For example, while the credit crunch was exploding in UK, credit unions saw an increase in members (traditionally low-income individuals) during the crisis, fact that pushed the UK government to finance such social banking institutions. Ferri (2006) explained why credit cooperatives react differently to credit crunches. According to the author, credit cooperatives have a tendency not to stop the credit activity, to increase less the interest rates, and, thanks
to different capitalization and lending strategies, tend to be generally more stable. Social economy organizations during the financial crisis did not feel its effects as strongly as the other entities, and were even able to maintain feasible balance sheets and to continue providing their credit services and financial inclusion goals. Therefore, credit cooperatives might be beneficial in times of financial crisis.

Social economy also plays an important role in addressing the crisis of the public sector and the welfare state. It was already mentioned that social economy strongly suffered from the cuts in public spending on which they relied on, and at the same time took the place of the withdrawing welfare provision, engaging in entrepreneurial activities to survive. This way, the social economy enhances local markets by offering goods and services not offered by the state due to limited financial resources or by private firms due to unprofitability, making them available to the community. Using private sources to revitalize local economies and benefit the community by pursuing community-based objectives is a good way for the public to save on public expenditure, especially during times of economic crisis. From this perspective, social enterprise contribute in keeping the quality and quantity of public social services at the community level.

The crisis therefore showed not only the degree to which social economy organizations are stronger to economic shocks, but their importance for economic development and societal wellbeing and cohesion.

### 3.6 The social economy and the Europe 2020 Strategy goals

The European Union is aware of the potential of social economy. Indeed, according to the 2012 CIRIEC report on the social economy, “The social economy has great potential for activating endogenous development in rural areas, regenerating industrial areas in decline and rehabilitating and revitalizing degraded urban areas; in short, for contributing to endogenous economic development, restoring competitiveness to large areas, facilitating their integration at national and international level and rectifying significant territorial imbalances”.

The European Union Institutions know that the social economy can play a strategic role to the state in terms of welfare provision, democracy and efficiency of economic policy (Monzón and Chaves, 2012). Indeed, since the social economy is closer to the social
needs and knows them better, the state could involve it to better design economic policy and choosing appropriate and effective objectives and instruments. Also, the social economy can detect new needs and the appropriate solutions more quickly than the state, which could therefore benefit from this pioneering feature. Furthermore, social economy could be helpful to the state in increasing the level of acceptance of economic policies when the social economy participates in its implementation and policies are therefore conceived as the social economy’s own. It also enables the state to leverage more resources and makes it possible to launch efficient policies with the aim to restart the demand in open economies, particularly if it happens at the local level and the neighborhood services are central. Also, when the states cooperates with the social economy, the former can have some reassurance that the public funds will be used for the social policies in question and not be inappropriately misused for private interests. Moreover, it completes and broadens the activity of the State in social service provision when this presents some limitations, thus enhancing welfare provision. The social economy in the future can have a key function in welfare service provisions, especially considering the imbalances of the private sector initiatives in this field and the limits of the state.

The European Union institutions are also aware that the social economy helps achieving the Europe 2020 targets. This happens in different ways (CIRIEC, 2012). As far as smart growth is concerned, it has been demonstrated that social economy fosters social innovation and therefore develops and economy based on knowledge and innovation and has a great potential. Many examples can be brought up, from innovation in the field of microcredit to the benefits and innovations coming from a democratic and participative governance that make employees more committed and generates competitive advantages, such as the Mondragôn cooperative group in Spain, which better went through the economic crisis thanks to this feature.

As far as sustainable growth is concerned, social economy entities are important for sustainable and inclusive growth because their value system makes it so that there is a solidarity approach with the community and the environment, social costs are internalized and positive externalities are generated. This also results in the construction of historical solidarity and in future generations to more easily follow a path of sustained and sustainable development. Moreover, it was also stressed how
the social economy is embedded in the community and has special attention for the preservation of local and environmental resources, therefore pushing it to generally behave in an environmentally sustainable way. As far as employment goals are concerned, as it was previously explained, evidence shows how much social economy contributes in employing paid workers and in fighting unemployment within vulnerable groups, social exclusion and job instability, and that this trend remained such also during the crisis. Social enterprises rose especially in the field of combating poverty and social exclusion not only in the old member states, but also in the states that recently joined the EU, such as Central and Eastern Europe. Contribution to inclusive growth comes from all parts of the social economy, as their benefits to society do not come from the economic activity performed, but from their organizational systems and the values behind them, where people come before capital and an equal distribution of the wealth generated is assured by the adoption of certain methods. The social economy can be considered as the expression of the way out of the crisis and a pioneer of the economic paradigm of the future. Indeed, it can play a counter-cyclical role and actively engaging in innovative and cooperative socio-economic regulation in a new political paradigm that conceives social and economic development as walking together. Indeed, social economy expresses many different kinds of economy, which are based on a new relationship between individuals and collective responsibility and contribute in achieving a higher degree of knowledge and innovation. For example, social economy organizations foster a relational service economy since services are produced together with users and the relationship in every transaction is considered important; economy of functionality, because it focuses more on the mission and the function than on the service or product itself, also thanks to its collective nature and cooperation value and the transverse feature of its approaches; knowledge economy, because it stresses on collective skills and learning and aims at internalizing life-long learning in the economic activities carried on; sustainable circular economy, since social economy organizations have been pioneers in the fields of recycling, energy saving and renewable, ecological behavior, etc. Given all these functions, the importance of the social economy to reach the Europe 2020 Strategy goals of a smart, sustainable and inclusive growth are undeniable. Social economy is also a mean for the European Union to stick to the commitments of the UN
2030 Agenda on Sustainable Development. Social economy explains and defends the values upon which the European Union was built, working as an opportunity and a mean for citizens to participate and being the owners and the responsible people for the building of the sustainable future of us all.

3.5 Main challenges and policy recommendations

Reports confirm that social entrepreneurship is a relevant sector in the economy of many Member States and that the European Institutions recognized its importance and addressed it with several policies. However, in the states where social enterprises are known and recognized through appropriate policies they became a relevant and resistant phenomenon from the social, economic and employment point of view, whereas in states where they are not recognized or properly addressed by policies, they are still unnoticed and their impact on the economy is underleveraged and difficult to measure (European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2016). There are public support policies throughout Europe, but there are still many barriers to their development. Such barriers are both internal, such as missing commercial or entrepreneurial spirit to make the organization financial independent through adequate business models, lack of managerial skills to scale the activity, and so on and so forth. However, may barriers come from the outside and depend on the country and the context. Such barriers are (ICF/Wilkinson, 2014):

- Poor understanding of the concept of social enterprise: the general public, customers, shareholders, investor
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s, policy makers, etc., usually have a low understanding of what social enterprise means, which is often associated with charities or not-entrepreneurial activities or to negative stereotypes. Also, many organizations which share the features of social enterprises are not eager to be labeled as such, often no-profits which are averse to the idea of enhancing their entrepreneurial attitudes. Many Member States do not value the role that social enterprises have in local economic development, employment and welfare provision. More awareness is needed about their effects and fields of action, because the dearth of awareness of the meaning and function of social
enterprises has negative effects on social enterprises relations, financing possibilities and development;

- Lack of specialist business development services: incubators, training programmes, mentoring and support services like these are mainly absent. The support needed by social enterprises is similar but not identical to the one of mainstream firms, since their peculiar characteristics make their needs more complex and their required support more tailored. Such management tools to be developed and taught should take into consideration that social enterprises are very embedded in the community they serve and that they highly valorize non-monetized assets, such as unexploited infrastructures or volunteering. Such management practices should also make the organizations more entrepreneurial and more independent from public grants;

- Lack of supportive legislative frameworks: some Member States do have specific laws on social enterprises which encouraged their growth in number, whereas some other Member States have a very poor legislation about it, also because in some occasions such laws have been transferred from other countries without adapting them to the new context. Laws on social enterprises have successfully encouraged its replicability when the dynamics behind the phenomenon were fully understood, for example when the community of social enterprises were involved while designing the law, and when they took in consideration that social enterprises originate from bottom-up processes. Legislation had no success in encouraging social enterprise replicability when introduced though top-down approaches, without involving the social enterprise community nor understanding its peculiar characteristics and processes, when laws were copied from other countries, and when they introduced barriers. Moreover, since in many countries laws recognizing social enterprises are missing, it is also difficult to issue support measures addressing their development needs;

- Access to markets: social enterprises have difficulties in competing within public procurement markets because of several barriers, such as payment delays, current public procurement practice procedures, inappropriate use of social clauses
• Access to finance: social enterprises have problems in accessing to external financial resources because tailored financial instrument, investors and intermediary currently do not exist or are not appropriately developed, and conventional finance providers are not aware of the characteristics of social entrepreneurship.

• Absence of common mechanisms for measuring and demonstrating impact: the methods to assess and report social impact are not used and limited in many Member States, which means that their contributions are unknown and not measurable. Measuring their impact is important to funders and investors to develop the venture. Also, common social impact measurement tools might not only increase the level of accountability and transparency, but also make it possible that society is more aware of their impact and importance and that private investors and the public become more interested and engaged with them.

Given these challenges, the Commission Expert Group on Social Entrepreneurship (GECES) in October 2016 issued the report “social enterprises and the social economy going forward: a call for action” recommending a few suggestions to the European Commission, Member States and social enterprises organizations in order to create a more welcoming environment for social enterprises and the social economy in general so that they can foster inclusive and sustainable economic growth. The recommendations are grouped into four main areas:

• Increased visibility, recognition and identity: the aim is to increase the visibility of social enterprise and foster knowledge about the topic. Three main advice are recommended. First, more proofs on the wealth produced by social enterprises should be collected and communicated to the public. Therefore, the recommended actions involve data collection, share knowledge and tools on social impact management and enhance the tools to report the social value created by such organizations, organize a communication plan at the European Union level. The second advice is to develop a better social enterprise community. The advised actions are to create an inclusive representative network that can foster the share of knowledge and the creation of synergies, represent the sector at the EU level and cooperate in policy making regarding
social entrepreneurship. The third advice is to give more importance to social entrepreneurship in public policies and actions, making it a common theme in all significant policies and programmes. The recommended actions are to generate integrated support strategies among regional and local authorities by sharing knowhow and fostering capacity building, make social enterprises eligible within EU funding programmes and involve such entities in EU mobility schemes;

- Improving access to funding: the aim is to facilitate social entrepreneurial organizations to access financial support by solving their infrastructure, financial and capacity building needs. The report recommends also enhancing social enterprises’ managerial abilities and financial sustainability by offering training, incubators and intermediaries as a help. In order to make more funding available, more awareness should be raised about how to fund social entrepreneurship, social investment should be more feasible and appropriate and alleviate the tax and regulatory burdens on social investing. Also, not only public funding should be available but also private investing should be unlocked through the establishing of suitable governance structures and de-risking social financing;

- Improving the legal environment: the aim is to create a legal and regulatory framework that promotes the flourishing of social entrepreneurship. The advice is to push forward soft legal measures to support Member States elaborating their own laws to sustain social entrepreneurship in their own countries. Also, mutual organizations and cooperatives should be encouraged to operate internationally in order to broaden their activities by exploiting the opportunities in the Internal Market. Moreover, public buyers should take advantage of new public procurement procedures by including social considerations within their tendering procedures and awareness should be increased about state aid rules and their effect on those organizations in the social economy which provide general interest services;

- Driving international development and growth: the purpose is to enhance the support from the European Union to develop internationally and help the EU achieving the 2030 Sustainable Development Goals. In this perspective, the
advice is that the Commission pushes for international cooperation in supporting social entrepreneurship, acting as an intermediary and encouraging knowhow sharing in the community, together with developing an open source intelligence within the next round of international development programmes. Moreover, to build an even more welcoming ecosystem for social entrepreneurship, gaps and overlaps in EU funding should be identified and addressed accordingly, and a targeted support for social entrepreneurship should be developed within all the policies and activities addressing social and economic development.

Such recommendations have a comprehensive approach that wants to support the European Institutions and the Member States to create a welcoming environment for social entrepreneurship and solve the challenges mentioned above. This would allow social entrepreneurship to blossom, developing upon its key values, such as innovations, social impact, democracy, profit reinvestment, and achieve its full potential as driver of a unique human-centered, sustainable and inclusive economic development model at an international level.
CONCLUSIONS

The master thesis opened with the intention to investigate what social entrepreneurship is and if and how it contributes to economic development. From the content of this work it is clear how social entrepreneurship is a widely spread phenomenon, which happens in several ways and with different patterns and evolves dynamically. It is open to inputs from different disciplines, to the extent that literature about it has not so far reached a consensus on its meaning, on if it actually is a different type of entrepreneurship and on which organizations should be considered as belonging to social entrepreneurship. Nevertheless, the phenomenon was ultimately described using the features common across definitions: the social element and the entrepreneurial element. Indeed, a common element across the definitions of social entrepreneurship is that the main purpose is to achieve a social mission. The social mission is achieved through social involvement and entrepreneurial methods, which include innovation and market orientation. These features differentiate social entrepreneurship from mainstream entrepreneurship and from traditional social services providers. Differences with mainstream entrepreneurship were highlighted about four different dimensions: people and resources; context; deals and opportunities (PCDO framework).

The value created by social entrepreneurship is therefore both social and economic. Much discussion arose among scholars on how predominant should the social mission be compared to the economic activities undertaken by the organization, to the extent that some argue that a wide range of forms can potentially be included in the array of social entrepreneurship, from purely no-profits on one extreme, to for profit firms adopting CSR strategies on the other. The point of view adopted in this work considers the so called no-profit-for-profit “hybrids” as the form that best expresses the concept of social entrepreneurship and illustrates them through the form of social enterprise as theorized by the EMES European Research Network. In this perspective, social enterprises are considered as belonging to the third sector, which is theorized as an intermediate sector which responds not only to the market and the redistribution principle, respectively adopted by the business sector and the state, but also to the reciprocity principle at the community level. This plurality of forces and actors
determines the plurality of forms within this sector. The social enterprise places itself in the hybrid zones that arise in the third sector with, respectively, the state, the market and the community, fact that contributes into making social enterprises hybrid and polyvalent, subject to a variety of logics, causing organizational transformation. This organizational transformation has been explained, again, basing on the relationship between social and economic value creation, in particular on whether the economic activity generating income streams is the very mean through which the social mission in delivered (mission-centric embedded model), only partially overlaps with the social mission (mission-related integrated model) or is completely independent, functioning as a mere income stream to support the social mission (unrelated-to-the-mission external model). The models described show how most of them are mission-centric and that business activities are adopted mainly to enhance or expand the social programme more than as a mere funding source. Indeed, the benefits of combining business methods to achieve a social mission do not only consist in access to unrestricted financial resources, but rather work as a useful tool to maximize the social goal, build capacity, strengthen the organization, foster innovation, performance, impact and effectiveness within no-profits.

As far as social entrepreneurship contribution to economic development is concerned, the analysis concerned the European Union and involved reports on the social economy and social enterprises, with some thematic focuses on Italy about GDP, employment and innovation. The findings of this work show that yes, social entrepreneurship does foster economic development in several ways. In this perspective, not only social entrepreneurship contribution in GDP and employment were taken into consideration, but also its role in promoting innovation and local economic development.

Regarding innovation, although social enterprises still face many barriers, European research has found that most of them have a tendency to innovate, also disruptively, introducing services, products and processes new to the market. Thus, because they have direct contact with social needs and can solve them innovatively thanks to their flexibility and capacity to channel them to the respective authorities or business enterprises, social enterprises are involved in product, process, market and organizational innovation in their fields of action, which, in the case of social
enterprises in EU are mainly: social services, employment and training, environment, education, economic, social and community development. Being mainly general interest services, it was stated that social enterprises can function as key promoters of social innovation where the market or the state fails to cover those needs, and, in particular, enhance access of socially vulnerable groups to basic service provisions. The social economy in general is also able to innovate the social welfare by achieving major supply-side efficiency and solving problems in new ways, expanding the array of potential solutions and fostering experimentation. Such innovations achieve their maximum potential if they can be also spotted and consequently applied by the public sector at the higher levels, with increased efficiency and consequential saving in public spending.

It was also analyzed how social entrepreneurship fosters local economic development, intended as building capacity at the community level to improve the economy and life conditions of the people. Such organizations coordinate a plurality of actors and stakeholders that are willing to work together to produce goods or deliver services to their members and/or to the community at better conditions than the market or the state can. Thus, social economy organizations generally adopt democratic governance and methods to make all stakeholders participate, cooperate and commit, being them donors, workers, volunteer or other actors who represent the community in which such organizations operate. The main consequences of such a democratic governance are major commitment to the social mission, which causes an expansion and completion of public offer in social welfare services for citizens, wealth and employment increase for the community, especially through the work integration and training of vulnerable and hard-to-employ groups within the community, the good use of local resources, respect of local resources and the environment, keenness to open innovation processes, and creation of social capital.

Social capital creation is perhaps the first and most important effect that the social economy and social entrepreneurship have at the community level, because the establishment of relationships based on trust is the first step to build the community itself and triggers the virtuous cycle of social capital, creating spillovers and additional positive externalities to the community. Moreover, social capital in terms of trust, membership and civic norms is particularly important because of its positive
relationship with innovation, which makes organizations within the social economy and social entrepreneurship particularly keen to innovation processes. The European Union is aware of the importance of the social economy, addressed it with targeted policies, such as the Social Business Initiative, and put it at the center of its policies, in particular the Europe 2020 Strategy for a sustainable and inclusive growth. The EU recognizes the role of the social economy as a buffer against the crisis and a way out of it. Indeed, it was illustrated how the social economy proved to be more resilient to the crisis in several ways. Regarding employment, the social economy suffered less jobs losses thanks to creative and flexible solutions to keep the employees, relying on their collaboration and participation in the governance, and actively addressed the issue of labour market exclusion of socially vulnerable groups, thus reducing the levels of exclusion and poverty. The social economy was more resilient to the crisis because its organizations are difficult to be bought out and, given their embeddedness to the context, they received the financial support of the community and are hardly relocated elsewhere. Moreover, cooperative banks suffered less from the financial crisis because of their little engagement in risky financial activities and they kept on delivering their financial support services to the community members, sticking to their social mission and actually having positive effects during times of crisis.

The social economy also had an important role in filling the gaps left by the welfare provision by the state, especially in times of crisis, enhancing local markets by making such services available and maintaining their quality to the community. Also, the state can take advantage of the social economy ability to detect new needs and appropriate solutions more quickly and could involve it to better design economic policies. Thus, the social economy and social entrepreneurship in the future can have a key function in welfare service provisions, especially considering the imbalances of the private sector initiatives in this field and the limits of the state. The increasing importance that the social economy and social entrepreneurship has in social welfare provision of course does not have to be intended as a legitimization for the state to save on public spending and contract out the provision of fundamental social services. Social entrepreneurship spontaneously emerged to fill the gaps in the market of social services, and proved to be useful where the state, for one reason or another, ceases to
address such needs. Lack of public resources apart, there might be some needs at the local level which are not spotted by the state and therefore not addressed, or needs which are recognized by the state but not addressed because not considered of primary importance, for example the loneliness of the elderly or the difficulties of the disabled, or there might be some needs that are simply better addressed by social entrepreneurial organizations because a specific local knowledge and targeted offer is required and such organizations are better at delivering it, for example the support to vulnerable groups in the community and their employment issues.

The European institutions are also aware that the social economy helps achieving the Europe 2020 targets in terms of smart growth, thanks to its social innovation and knowledge-based economy processes, sustainable growth, thanks to its solidarity approach with the community and the environment, and employment goals, thanks to its job creation and fight against unemployment of vulnerable groups, fostering a model of inclusive growth.

Despite the fact that social entrepreneurship is and will be playing an important role in the process of development of the continent, the phenomenon itself is not enough, as the social economy and social entrepreneurship still have to face several barriers. In the specific case of social enterprises, the identified barriers in Europe are poor understanding of the concept of social enterprise, lack of specialized business development services and of supportive legislative frameworks, difficult access to market and finance and absence of common methods to measure and demonstrate social impact. These bottom-up development processes need to meet top-down support policies to fight such barriers. The circumstances favoring the success of social enterprises only partially overlap with those of mainstream firms, so support policies should be shaped considering their special characteristics, such as the fact that they largely benefit from valorization of unexploited assets, stakeholders relationships and civil society contributions in grants and volunteers, or the fact that their profit is not distributed among shareholders but rather reinvested to enhance the social mission.

To enhance their ecosystem, financial support and legal recognition are important factors but not fundamental and not even sufficient themselves to guarantee the flourishing of social entrepreneurship. Fundamental elements to foster the development of social entrepreneurship are more recognition by governments,
development of targeted public policies that take into consideration the peculiar features of social entrepreneurship, foster the research on the topic and training the managerial abilities of social enterprises, enhance their self-organizing skills, and promote targeted financing strategies to support them. Barriers and targeted support policies apart, for the flourishing of social entrepreneurship, it is important to better define the phenomenon and find an agreement on which organizations do belong to the category of social entrepreneurship and which do not. This confusion causes problems in data collection and comparisons, with the consequence that the phenomenon cannot be properly studied and policies and strategies to enhance it cannot be developed. Many scholars complained about this confusion, together with many research projects that need to work with data collection, and European policy makers that mentioned confusion on the meaning of social entrepreneurship as a barrier to its development and recommended targeted policies to solve the issue. During the work, the “big tent” approach, which includes in the wide spectrum of social entrepreneurship also purely no-profit and for-profit with CSR programmes, and a narrower definition, which pushes to exclude the extremes of such spectrum and only include those hybrid organizations which explicitly pursue both social and economic value creation at more or less the same level, were mentioned. It is the opinion of the writer that a narrow definition of the concept is more useful to set boundaries around it, study the phenomenon and develop targeted policies. It is true that the mindset of the 21st century is changing and that there is a growing tendency to consider value as a blended entity which combines the social, environmental and economic elements, enact social and environmental responsible behaviors and conceive social and financial goals as walking together, and that purely no-profits, for-profit-no-profit hybrids and for-profits actuating CSR practices are all an expression of this logic. However, a narrow approach to the definition of social entrepreneurship can contribute in clarifying the phenomenon, giving it solidity and authority and making it so that theoretical contributions and practical research and data collection can build on each other and actually contribute into helping practitioners and policy makers. Most importantly, the more or less equal presence of social and financial programmes within such hybrid organizations is not only the feature that differentiates social entrepreneurship from regular social service
providers and socially conscious for-profits, but is mostly what constitutes the real strength of social entrepreneurship: social and economic value creation do not walk separate ways, but rather build upon each other to maximize value and the social mission delivery. As it was stated in the second chapter, in most social enterprises the leverage of business methods to achieve the social mission is not a mere matter of income streams and financial independence, but it is rather the mean through which the social mission finds its achievement, and the benefits of such practice go to the maximization and expansion of the social goal, capacity building, strengthening the organization, and fostering innovation, performance, impact and effectiveness.

The European institutions know that the social economy can play a strategic role to the state in terms of welfare provision, democracy and efficiency of economic policy and considers it as a way out of the crisis and a pioneer of the economic paradigm of the future. The last economic crisis showed not only the degree to which the social economy and social entrepreneurship organizations are stronger to economic shocks, but also their importance for economic development and societal wellbeing and cohesion. The response and performance of the social economy, especially during the crisis, proved it to be an important tool to properly react to the emerging challenges the global economy and societal changes are throwing down, which is one of the main reasons why social entrepreneurship is the object of increasing interest from the European institutions. Being the most evident examples of meeting point between social equity and financial income, social entrepreneurship can be a response to the crisis which involves all stakeholders, including the socially excluded and disadvantaged groups, basing on an entrepreneurial mindset rooted in the values of cooperation, common identity and social capital valorization. These virtuous features deserve to be properly sustained so that it can value territories, local identities and cultures. Moreover, the importance of the social economy to reach the Europe 2020 Strategy goals of a smart, sustainable and inclusive growth is undeniable. Contribution to a sustainable, inclusive growth comes from all parts of the social economy, as their benefits to society do not come from the economic activity performed, but from their organizational systems and the values behind them, which makes them achieve social and economic value at the same time and makes the two goals compatible, so that many macroeconomic and social benefits are created for society. The social economy
gained a reputation as an important mean to achieve sustainable and stable economic growth, addressing unmet social needs and increasing the value of the economic activities connected to such services, have fairer surplus and wealth distribution, fixing the imbalances within the labour market and leveraging and strengthening economic democracy. Also, they might be more suited to trigger open and social innovation processes, being smaller, more flexible and, in particular, leveraging social capital, operating within the network of the production system with a plurality of stakeholders and playing a complementary role with the state and the business sector, thus promoting innovation, equity and efficiency in the long run. Therefore, the social economy and social entrepreneurship play a fundamental role to foster the European economic and social model, particularly after the crisis. The social economy explains and defends the values upon which the European Union was built, working as an opportunity and a mean for citizens to actively and responsibly participate in building a more sustainable future, and it can actively engage in developing innovative and cooperative socio-economic regulations in a new political paradigm that conceives social and economic development as walking together.
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