



# Social Entrepreneurship for Local Change

International Online Seminar

## A.2 Defining the Social Enterprise (1)

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# Definitions of Social Enterprise

Social enterprises trade to tackle social problems, improve communities, people's life chances, or the environment.

Social economy organizations are mainly characterized by:

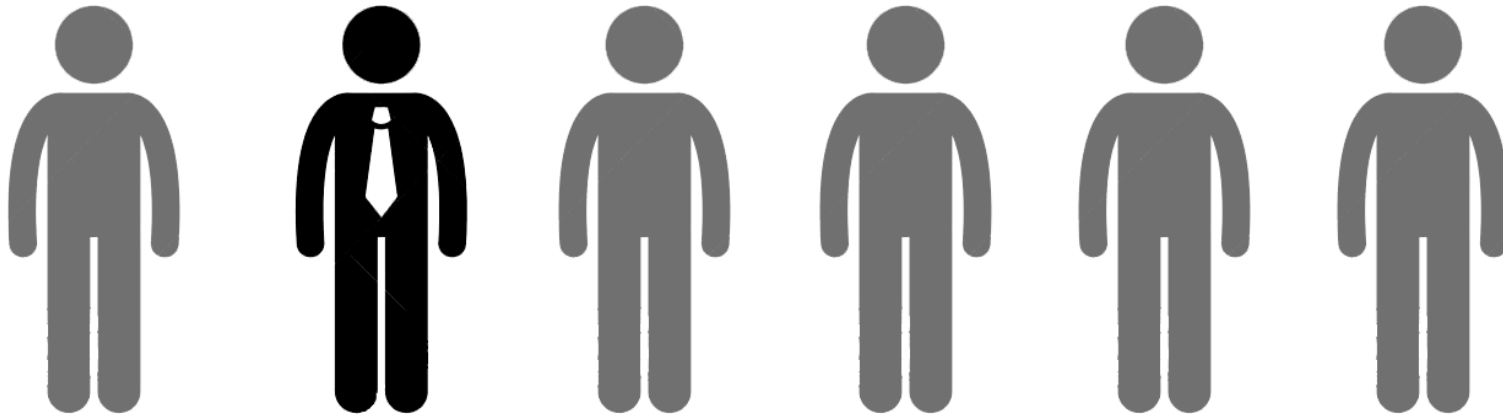
- the primacy of the individual and the social goal over profit;
- voluntary and open participation based on solidarity and responsibility;
- democratic decision-making by membership;
- congruence of the interests of members/users and/or the general interest;
- autonomous management and independence from public authorities;
- reinvestment of surpluses in the pursuit of a social mission. <sup>h</sup>



# What is Social Enterprise

Social enterprises trade to make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community.

So when they profit, society profits.



# What is Social Enterprise



The European Commission's Social Business Initiative (2011) definition of social enterprise describes social enterprise as operating in the social economy whose primary objective is to achieve social impact rather than generating profit for owners and shareholders as follows:

- An entity which uses its surpluses mainly to achieve these social goals and is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.
- Social enterprises seek to maximize the general interest or collective benefit dimension through the pursuit of an entrepreneurial or economic activity.
- They take a wide array of legal entities that share three common dimensions: social, entrepreneurial/economic, participatory governance.

# Social economy enterprises are important because of their:



## Membership

Up to 160 million people in Europe are members of social economy enterprises.

Retail | Banking and agricultural cooperatives | Mutual societies offering services complementary to social security regimes



## Objectives

Social economy enterprises contribute to the EU's:

employment | social cohesion | regional and rural development | environmental protection | consumer protection | agricultural, third countries development | social security policies.



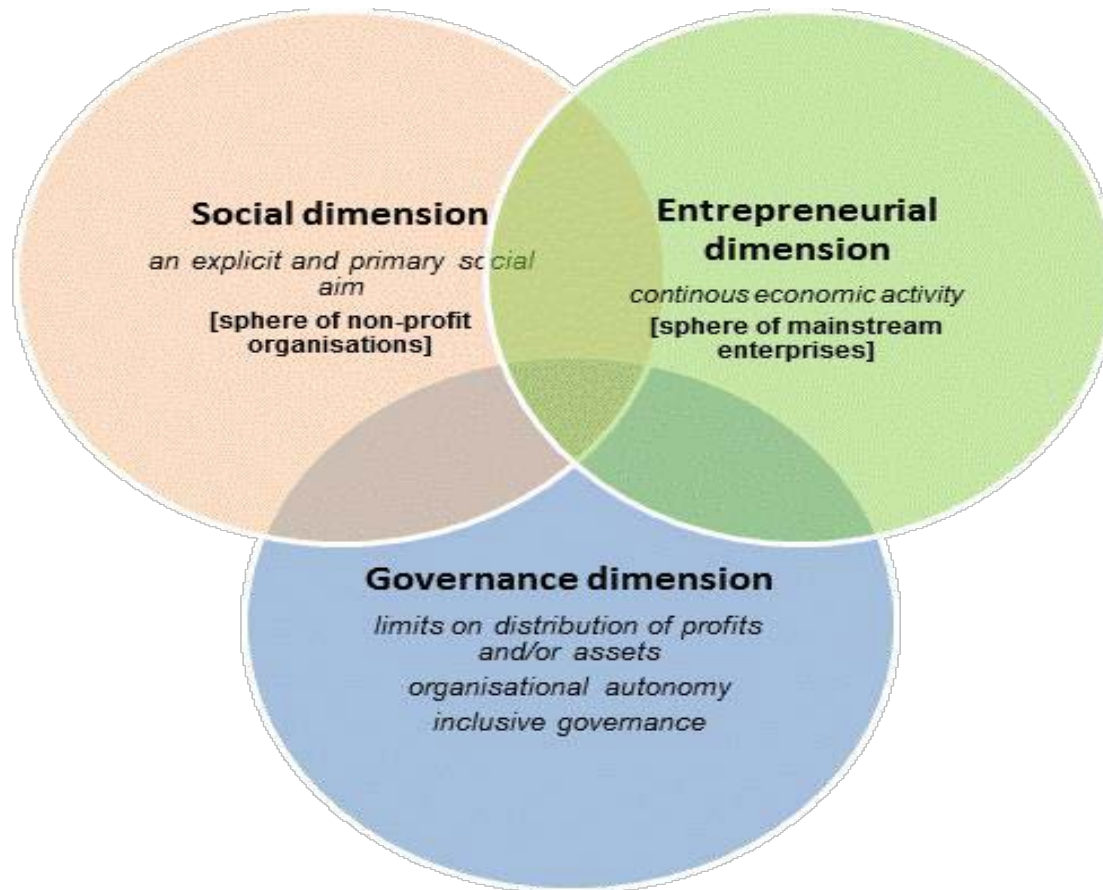
## Size

Social economy entities are mostly micro, small, and medium-sized enterprises (SMEs).

# The intersection of social enterprises with the public and private sectors



Three key dimensions of a social enterprise:

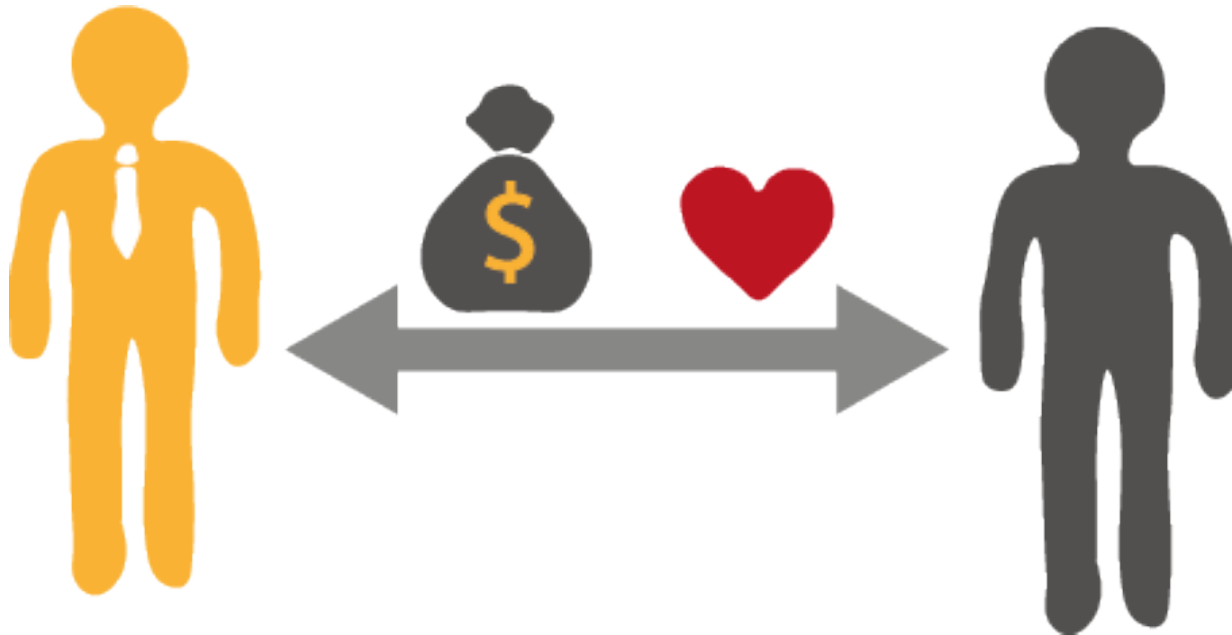


# What is Social Enterprise?



Social enterprises are **dynamic, progressive** businesses that we can all learn from.

They **experiment and innovate**, and have the advantage of being able to draw upon best practice in the voluntary sector, as well as the **entrepreneurial** flair that exists in the best of our companies.



# What is Social Enterprise?



The term social enterprise gained progressive interest as it is perceived as an alternative to combat negative effects of the economy such as unemployment, poverty, lack of education, and poor distribution of income.

Many closely related names tend to occupy this ground including terms such as:

- social economy,
- third sector,
- non-profit sector,
- not-for-profit,
- social enterprise,
- social entrepreneurship
- social entrepreneur,

some of which are also ill-defined and overlapping.





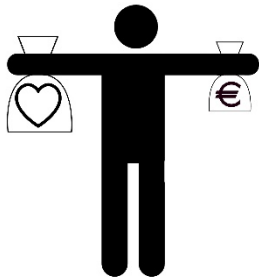
# What is Social Enterprise?



“Social enterprise lies at the heart of the **social economy**. Social enterprises are businesses that **trade in the market** for a **social purpose** and what differentiates them is that their social mission is as core to their success as any potential profit. There are broadly speaking **three common characteristics**:

## Explicit social aims

There is a clear social purpose which drives the organization or business. This explicit social aim is core to the activities, rather than incidental. Any profit that the business makes is reinvested into the purpose of the social enterprise.



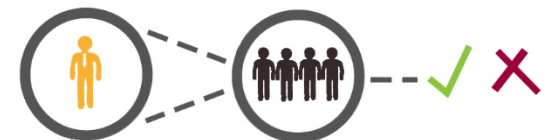
## Commercial activity

The venture will aim to derive a significant portion (more than 50%) of its income from commercial contracts or the sale of goods and services to a market. The organization may still however generate income from a variety of other sources such as local authority grants etc.



## Social ownership

There will be community accountability either through a co-operative structure or management by voluntary trustees.



# Mapping of social enterprises and their ecosystems in Europe



The following core criteria were established:

- The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making;
- It must be independent i.e. organisational autonomy from the State and other traditional for profit organisations; and,
- It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes.

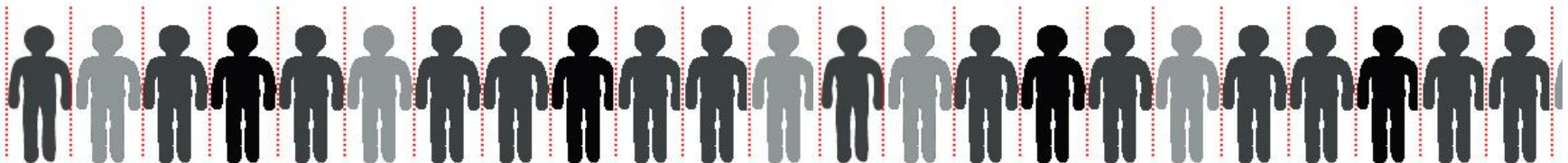
# EU operational definition



The lack of standard and consistently used European classifications of SE creates problems in creating a clear picture of all that they do.

A broad typology might look like this:

- 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;
- Practising solidarity with developing countries (such as promoting fair trade).



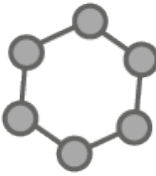
# There are many types of social enterprise:

- cooperatives,
- development trusts,
- community interest companies,
- employee owned businesses,
- credit unions,
- intermediate labour market companies,
- registered social landlords,
- social firms,
- trading arms of charities

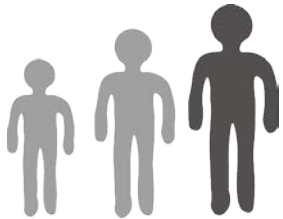


as well as an increasing number of hybrid versions of the various approaches to social enterprise.

# An alternative dynamic way of doing business

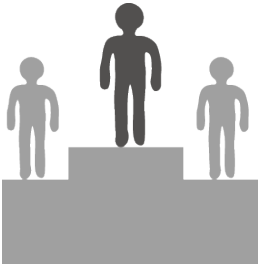


Social enterprise is a **dynamic way** of doing business that **can transform communities** and **drive profound and lasting social change**. As businesses which **maximise community benefit over personal financial gain**, social enterprises **deliver solutions that are bigger, better, bolder and fitter**.



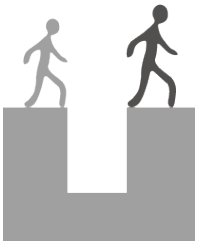
## **Bigger**

because they deliver joined-up social, environmental and economic outcomes



## **Better**

because they are community-focused and sustainable



## **Bolder**

because their independence enables social enterprises to be innovative and ambitious.