

## Chapter 3

# Networks as Support Structures for Social Enterprises

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*One of the key characteristics of social enterprises – businesses which seek not to maximise profits, but to provide a service to society by trading in the market – is the strength of their relational element. The quality of the services they provide derives essentially from the rich interrelationships that their various stakeholders enjoy. An individual involved with a social enterprise is typically not playing a single role, for example as an investor, customer, employee or client, but has an active voice in its direction and how it fulfils its mission. This richness extends to the relationships that social enterprises have with other organisations, such as public authorities or other businesses. They have a propensity to build networks, whether to exchange information, to improve their practice, to dialogue with government, or to address new challenges – for instance by setting up new enterprises. This means that they need external support of a specific type.*

*This chapter discusses a number of good practice cases which provide support to social enterprises. The cases are divided into four clusters: 1. identity / culture / representation / quality; 2. business support; 3. trade sectoral development, and; 4. local development. The chapter closes with a brief review of the main lessons learned as regards good practices. These lessons will be presented in the form of guidelines addressed to those who, through suitable policies, can support the development and consolidation of support structures for social enterprises.*

## **Introduction: the importance of support structures for the development of social enterprises**

Across Europe, social enterprises have experienced considerable development over recent years despite striking differences in their form and the rules that govern them (Defourny and Nyssens, 2008).<sup>1</sup> This growth trend, together with the significant discrepancies that still remain between European countries, has given rise to various schools of thought surrounding the key driving factors behind their development.

Identifying what has caused the development of social enterprises is not an end in itself, but it can provide an answer to specific questions. For example it helps explain whether the conditions which have supported their creation are cyclical or structural in nature, and whether they can be extended to the national level or if they need to be tailored locally. It can also be useful to explain the origin and the current state of social enterprises, and to identify possible emerging trends and thus sketch out one or more future scenarios, at least for the near future.

Among the explanations put forward, one in particular attributes the development of social enterprises to their ability to network or to define strategies and suitable support structures for the creation of inter-organisational links which will grow ever more widespread, solid and articulated. Such inter-organisational structures perform highly diversified tasks, such as setting up new enterprises, representing them to public and private institutional partners, and promoting quality and innovation policies. This reference to the networking capacity of social enterprises as one of the possible development factors presents at least three points of interest:

1. Firstly, it represents an endogenous factor. It expresses the internal ability of the sector to define its own pathway independently, rather than reacting to influences that are more dependent on exogenous variables, such as welfare systems, changing regulations and social transformations, from which social enterprises seem somehow to derive.
2. Secondly, it closely relates to the legal-organisational form of social enterprises. This allows for a clear-cut characterisation of the experience, when compared to similar organisational forms, such as those of the third sector / social economy (other types of co-operatives, voluntary organisations, charities, and so on). Here the networking phenomenon seems less developed, and alternative development models tend to prevail (e.g. mergers among co-

operatives, especially in the consumer goods and agricultural sectors).

3. Lastly, the spread of inter-organisational relational systems among social enterprises suggests that this factor has reached a significant “specific weight” – both for the number of existing networked organisations and for the functions and tasks they cover – not only in explaining but also in significantly guiding the development of such enterprises, both locally and more widely.

## What support for social enterprises?

Before reviewing the good practices identified at international level, it is necessary to understand the peculiarities of social enterprises. This analysis provides some important hints as to their business support needs. The underlying theory behind this chapter’s analysis is that in order to make the most of the intrinsic qualities of social enterprises, specific support structures are needed, as regards to both their structure and the activities they carry out.

Most of the business support needs of social enterprises, including the various aspects of business management, are the same as for conventional businesses. After all, every business needs to be soundly managed so as to comply with regulatory requirements, make a trading surplus, and stay accountable to its stakeholders. However, social enterprises have specific features that create complex needs demanding diversified solutions.

This means that while all business support agencies should know about social enterprises and be prepared to support them, there is also a place for support agencies that specialise in the social economy. Experience within the EQUAL programme<sup>2</sup> shows that collaboration between generic business support organisations (such as Chambers of Commerce) and specialist ones (such as co-operative federations) can be very fruitful, and can lead to a higher standard of business support being made widely available at national level (European Commission, 2007; Austin, Gutierrez, Ogliastri and Reficco, 2007).<sup>3</sup> As we will stress in the following pages, the aim should be to create a ‘braided’ system of support, which includes both generic and specialist components.

The following points provide a non-comprehensive description of the distinctive attributes of social enterprises. Special attention is given to the way in which business practices serve the achievement of the social objective. It should not be forgotten that discussion involves factors which are both internal to the organisations and dependent on their external environment.

**The common good as an objective.** Typical of social enterprises is the pursuit of objectives which go beyond the interests of their owners. The profits generated benefit a wider group, such as individuals, local communities and social groups, regardless of possible ownership rights (e.g. as members of the social enterprise).

**Relational nature of the goods produced.** Social enterprises produce goods and services where the proximity and relation to the recipients are crucial to the nature and quality of the good itself. As a matter of fact, the beneficiaries of these goods are often socially excluded and live in insecure conditions. This makes it difficult to reproduce exchange models based on the figure of a “consumer” who has the information and economic resources necessary to rationally satisfy his or her needs. Activities such as care, education and support for job integration are non-tangible goods whose production requires a relationship system made up of various subjects: the producer of the good, the “consumer” or indirect beneficiary of the good, the financial backer of the production, the promoters of use, and so on. In the same way, the use of such goods is not meant for the direct recipients only, but also for the people, groups and communities who benefit indirectly from it, for example, in the form of a better quality of life, deeper social cohesion, security, psychological well-being (Borgaza and Defourny, 2001).<sup>4</sup>

**Resource mix as means of support.** Social enterprises do not only do business through monetary trade or within “trade arenas”. They obtain the resources necessary for their survival and development through multiple and complex forms of exchange: resources derived from market trading combine with resources of a different nature which vary according to the particular objectives they pursue and the activities they carry out. These include financial contributions and donations from public or private bodies, voluntary work, the free loan of infrastructure, and so on. Thanks to these “supplementary” resources, social enterprises are able to act in areas where commercial exchanges would not be sustainable because of the lack (or scarcity) of paying demand from the beneficiaries, or because of the lack of interest from other investors (Evers and Laville, 2004).<sup>5</sup>

**Local scope.** Given the relational nature of the goods produced and the ability to attract various resources for support, social enterprises tend to focus on local interventions. Even in the traditional forms of the social economy, the local dimension of the interventions often represents a distinctive trait, and for social enterprises it becomes a priority which dictates their actions and objectives. Their rooted presence in a defined and limited area allows for a quicker and more precise appraisal of the needs to be addressed and, at the same time, for the recognition and enhancement of all the useful resources available.

**Multi-stakeholder governance.** Social enterprises are organisations where the collective aspect is central in defining the social and business development plan of the enterprise. The objectives, the goods produced, the scope and the working resources are driven by a commonly established need that is to include different people and organisations in terms of representativeness and heterogeneity of interests and visions. That is why social enterprises often have governance systems which allow for multiple forms of membership (employees, voluntary workers, sponsors, beneficiaries, and so on).<sup>6</sup> Social enterprises are thus organisations which involve different stakeholders, because their objective of promoting the general good cannot be achieved once and for all and is not led exclusively by a sole player. It is a process to be co-shaped in daily practice by representing the various positions and interests in the territory. It is thus not by chance that social enterprises are often small bodies as to the number of people involved. A limited size, among other factors, helps to preserve a significant relational system – one that is neither bureaucratic nor anonymous – both within the organisation and in its relationships with other actors, and above all with the beneficiaries of its activities.

**Capital and ownership structure.** An important difference with conventional businesses is that the working capital of social enterprises is generally not in the form of equity shares. It will often be in the form of value shares or loans, and will have limitations placed on voting rights and dividend distributions. In addition, considerations of corporate social responsibility will often lead to a high level of financial transparency. This implies a very different financing strategy and financial management.

**Emerging bodies with an issue of legitimisation.** Social enterprises are emerging bodies, search to legitimise their status, even though in some European countries they have reached such a proliferation and recognition that an institutionalisation process could be envisaged. However, in general, social enterprises are confronted with more structured bodies than their own (public bodies, commercial companies, and also the other organisations of the social economy), to which they often find themselves subordinate. Such subordination takes the shape of financial dependence (e.g. on public funding), organisational isomorphism (in the adoption of management tools typical of for-profit organisations and of public administrations) and limited ability to put forward and promote their political and cultural programme (because they are too focused on daily management). This phenomenon is further accentuated by the fact that social enterprises operate in highly dynamic and uncertain sectors, as regards changing needs and the availability of resources to support business initiatives (even those with social purposes). On the other hand, these same sectors, for instance social security and education, are undergoing epoch-making transformations, in

respect of the role of the agencies traditionally active in these fields (such as public administrations), and there is significant room for innovation.

## **A classification of support structures**

The analysis set out in the previous pages has helped identify the elements which clearly characterise the social enterprise initiatives which have been spreading throughout Europe in recent decades.

Despite the differences, which are sometimes significant, in terms of the forms this phenomenon takes, it is clear that social enterprises build their specific identity around the central factor of relationality. This relational nature translates, in practice, into a remarkable ability of social enterprises to create connections among different actors – individuals and organisations – both within their own “organisational boundaries” (for example in the ownership structure), and externally, with other institutions. In other words, for social enterprises, networking is not one strategic developmental choice among many others, but an important constitutive element. Of course, such relationships vary according to the characteristics of the parties involved and the nature of the goods and resources exchanged.

On the basis of such observations, the following section will review good practices for support structures where development stems from the promotion and strengthening of network connections among social enterprises, between these connections and public and private actors. The following aspects of support structures will be investigated: regulatory and socio-economic environment; general purposes of the initiative; resources used; organisation and governance; main results achieved and the possibility to reproduce them in other situations. Finally, the information gathered will be summarised in guidelines for policy-makers.

Many initiatives for the support of social enterprises already exist in Europe and elsewhere. The first step in our analysis is to sketch out an interpretation grid in order to identify the most innovative initiatives as examples of good practice. The grid also outlines some crucial functions in the development of social enterprises.

- The first function is the definition and promotion of elements of identity of social enterprises deriving from different cultural traditions. The support structures will then be able to represent and promote quality policies for the goods produced and also for the system of social enterprises itself (cluster 1).
- The second deals with development support activities aiming to launch new social enterprises or restructure existing ones. In this

case, the support structures are called on to innovate in supplying the traditional business development support services (consultancy, training, and so on) in the light of the peculiarities of social enterprises and of the socio-economic environment in which they operate (cluster 2).

- The third function is supporting the development of social enterprises in specific areas of activity by differentiating their activities in order to increase competitiveness. The real innovation here is to detect the expansion possibilities of the social enterprise beyond its traditional niches, like social services or job integration initiatives for the disadvantaged (cluster 3).
- Lastly, the fourth function used to classify support structures for social enterprises tackles their involvement in local development processes. The “general good” objective proper to these companies makes policy-making activities an important intervention area. Support structures must therefore also be active on this front (cluster 4).

## **Cluster 1: Identity / culture / representation / quality**

### *The United Kingdom Social Enterprise Strategy*

The British government’s social enterprise strategy has brought together what were previously a number of loosely allied but disparate movements to form a more coherent force that can tackle social change on a significant scale.

#### *Context*

Several of the component parts of the social economy, notably the co-operative movement and the voluntary sector, are relatively strong in the United Kingdom. Comparative statistics show the United Kingdom to be among those countries with the larger shares of economic activity and employment within the social economy (EESC, 2007).<sup>7</sup> However, certain types of social economy organisations, such as worker co-operatives and social co-operatives, have not grown very fast in the United Kingdom. What has grown fast in recent years is the number of businesses identifying themselves as “social enterprises”.

The British government’s definition of “social enterprise” stands out from accepted usage in continental Europe, in that it is very outcome-

oriented and permissive. It makes reference neither to the content of trading activities nor to ownership or stakeholder participation, but focuses on the sole criterion of non-profit maximisation. The definition reads: “A social enterprise is a business with primary social objectives whose surpluses are principally invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.” Business objectives are seen to be multiple, and profit distribution is not prohibited so much as limited. This definition thus encourages businesses to create new and fluid combinations of altruistic and profit-making motivations. It expresses the government’s intention to create a movement of reform within the mainstream business sector, as much as to support the growth of a separate, and possibly marginal, sector defined in a more rigid or ideologically “purist” way. A second item on the government’s agenda is the reform of public services. It seems to utilise an entrepreneurial approach as a way to increase the quality and user-responsiveness of public services, which can avoid some of the deleterious effects of contracting-out to purely commercial companies.

### *Description of initiative*

The Labour government that was elected in 1997 responded to the pent-up pressure from its natural constituency to take action to promote the co-operative and social economy, but this took several years to bear fruit and followed a problem-oriented route. The first step in the process was the 1999 report of social exclusion Policy Action Team 3 on “Business”. The Treasury then undertook a “cross-cutting review” of the role of the voluntary and community sector in service delivery. Patricia Hewitt was appointed Secretary of State for Trade and Industry in September 2001, and the Social Enterprise Unit was set up within the Department of Trade and Industry in the following month. It immediately convened eight stakeholder groups to assess the task at hand. The groups worked very fast, and in February 2002 reported on laws and regulations, research, business support and training, finance, promotion, impact evaluation, best practice and public procurement.

The three-year strategy was launched in July 2002 with the publication of “Social Enterprise: a strategy for success” (Department of Trade and Industry UK, 2002).<sup>8</sup> The foreword contributed by the Prime Minister demonstrated the government’s determination to act. It set targets in three domains: creating an enabling environment, making social enterprises better businesses, and establishing the value of social enterprise.

In 2005/6 a Minister for the Third Sector was appointed, and the unit was combined with the Active Communities Unit of the Home Office,



which dealt with voluntary organisations, to form a new Office of the Third Sector (OTS) (Office of the Third Sector, 2008).<sup>9</sup> The OTS has some 50 staff divided into five teams. It is located within the Cabinet Office, the co-ordinating department reporting directly to the Prime Minister.

The strategy was reviewed in 2006 and updated in the form of the “*Social Enterprise Action Plan – Scaling New Heights*”. This action plan focuses on engendering cultural change, improving the supply of advice and finance, and improving relations with the public sector. This leads to the following activities:

- Fostering a culture of social enterprise.
- Ensuring the right information and advice are available to those running social enterprises.
- Enabling social enterprises to access appropriate finance.
- Enabling social enterprises to work with government.
- Ensuring delivery.

### *Financing and resources*

The strategy has been financed by the United Kingdom central government, using a number of different budgets. In the first stage of the strategy’s implementation, these included the Phoenix Development Fund (BEER, 2008)<sup>10</sup> and Support for Enterprising Communities.<sup>11</sup> Following a Bank of England review of finance for social enterprise (Bank of England, 2003),<sup>12</sup> 23 Community Development Finance Institutions (CDFI) gained accreditation for “Community Investment Tax Relief” (CITR),<sup>13</sup> and were capitalised through a competitive ‘challenge fund’. A EUR 187 million investment fund called “Futurebuilders” (Futurebuilders England, 2008)<sup>14</sup> was developed to improve public service delivery through long-term investment in the voluntary and community sector. A significant boost to this financial support came from the EQUAL programme, which fortuitously came on stream at the same time as the strategy was being implemented, and ran until 2007. In addition, bodies from the social economy such as Co-operative Action<sup>15</sup> have supported other synergetic work (The Co-operative Fund, 2008).

Carrying through the 2006 Action Plan also draws on a range of departmental budgets for business support, and it is not always easy to quantify the share that is destined for social enterprises specifically. Some identifiable elements are an equity fund (GBP 10 million), grants to strategic partners (GBP 3 million plus), “Futurebuilders” (GBP 215 million), business

support (GBP 5.9 million plus resources from regional development agencies (RDAs) and Business Link), Youth Sector Development Fund (GBP 100 million), and the Department of Health social enterprise investment fund (GBP 100 million).

Funding of the full OTS programme as set out in the third sector review is GBP 515 million (Office of the Third Sector, 2007).<sup>16</sup>

### *Governance*

The “Social Enterprise Strategy” was implemented by the Social Enterprise Unit, at the time part of the Department of Trade and Industry. It has been followed up by the “Social Enterprise Action Plan” which is implemented by the Social Enterprise and Finance Team (headed by Hilary Norman) within the Office of the Third Sector. The OTS is a government department responsible to the Minister for the Third Sector (Phil Hope) and to the Prime Minister (Gordon Brown).

A key part of the work of OTS is to work in partnership with the sector itself. The Social Enterprise Coalition (SEC) was set up to form a dialogue partner that could work with government to promote the emerging social enterprise sector. It acts as an umbrella that brings together the pre-existing federal bodies for the different families of social enterprises: co-operatives, social firms, development trusts, and so on – as well as individual social enterprises and their partner organisations. It carries out a range of representational and promotional activities including the vital functions of publishing a newsletter and organising an annual conference (“Voice”).

The process of devolution in the United Kingdom means that the Scottish, Welsh and Northern Irish executives, as well as England’s nine Regional Development Agencies (RDAs) have also been given the responsibility of developing strategies to support social enterprise. For instance, the Scottish Social Economy Strategy – “Better business” – “A strategy and action plan for social enterprise in Scotland”<sup>17</sup> was launched in 2007, with cross-party support (Communities Scotland, 2007). Its aims are to reduce poverty, create jobs and develop businesses. It links with the “Futurebuilders” programme, which is investing in social enterprises to improve the delivery of public services. The strategy has funding of EUR 2 million in 2007, which it is hoped will be renewed annually, bolstered by some EUR 160 000 from EQUAL. It has four priorities:

- To raise the profile and prove the value of social enterprise – using such tools as social return on investment (SRoI).

- To open up new markets – for instance through trade fairs and “meet the buyer” meetings, which have proved cheap and effective.
- To broaden the range of finance available – for instance by combining grant, loan and “patient capital”.
- To improve business support – for instance through dedicated enterprise development support for social enterprises in both highland and lowland Scotland.

The strategy process is being cascaded downwards, and local social economy partnerships are being set up in Scotland’s 32 local authority areas.

The nine English RDAs co-ordinate their contributions to the national plan through a Steering Group of Social Enterprise Policy Leads, which is chaired by South East England Development Agency (SEEDA). A 2008 progress report<sup>18</sup> notes that they have moved on from raising awareness of the potential of social enterprise to providing information and support for specific sectors (SEEDA, 2007). For instance, the East Midlands have worked on sport enterprises and the North-East on public procurement. As regards to business support, work in the regions is to be supported by the OTS EUR 7.5 million Third Sector Business Support Capacity Building Fund, which will operate over three years.

### *Impact*

The government’s determined action met with an enthusiastic response from most of the organisations that were already active in the sector, though there have been misgivings from both co-operatives and voluntary organisations, which fear dilution of their respective principles and operating methods. On the one hand, some parts of the co-operative movement feel that ownership and democratic control are central features of the sustainability of social objectives (for instance, by inhibiting asset-stripping takeovers). On the other hand, some voluntary organisations, which deliver services on a charitable model, fear that they will be forced to act like businesses, which they find to be inappropriate. There is an underlying tension between the proponents of a “free market” approach, who believe that the outputs of an enterprise are the sole measure of its social objectives and that light regulation will bring more benefits, and those who believe that value issues such as social justice, participation and democracy are inherently important and cannot be ignored. An index of this concern is that the issue of excessive executive pay in community interest companies was raised in the United Kingdom parliament. A written answer given on 30 April 2008 noted that Community Interest Companies (CIC) must declare Directors’ salaries, and these must be consistent with

community benefit (Parliament UK, 2008).<sup>19</sup> The bringing together of charities and social enterprises under the same OTS regulatory umbrella means that the fissure will remain a live issue.

The more risk-friendly culture that the government's policy is encouraging is likely to lead not only to faster growth of some social enterprises but also to a higher failure rate. There have also been instances of high-profile social enterprises (such as Green & Black's, an organic chocolate producer) being bought out by large corporations, provoking fears that the profit-motive might start to predominate over the original social objective. It is possible that this will damage public trust in the social enterprise "brand". However any bad publicity will most likely be manageable. It is more likely that the traditional families of organisations in the third sector will continue on their own paths, while learning from each other. In addition new hybrid forms of organisation will continue to grow up.

The statistics show that the social enterprise sector is growing fast. The government estimates that there are 55 000 social enterprises, which turn over GBP 27 billion (EUR 40 billion) per year and contribute over GBP 8 billion (EUR 12 billion) annually to GDP. However some of this apparent growth is the result of self-definition, as it is based on a survey, which asked whether businesses looked at themselves as social enterprises. Before the term "social enterprise" was popularised, only some would have defined themselves as being within the "third sector" or "social economy, while many would have had no concept for what they were doing. The effect of the social enterprise strategy has thus been as much to revolutionise consciousness as to stimulate business start-up or growth.

### *Transferability*

The approach taken thus far is unique in its comprehensive and non-prescriptive nature. There is much to be learnt from the way it has taken an output-oriented approach and in particular how it has generated effective collaboration among different government departments, the lack of which is often a major stumbling block in the way of progress in the social economy sector.

### *Conclusions & policy recommendations*

The remarkable thing about the rapid growth of the social enterprise sector in Britain is that it is the product of an act of political will by the government.

The United Kingdom social enterprise strategy is novel because it is:

- Original: the first such strategy in British history.
- Ambitious: aimed to achieve a step change in the standing of social enterprises.
- Proactive: created a concept and brought allies on board.
- Determined: launched with Prime Ministerial backing and supported by a dedicated unit in the civil service.
- Comprehensive: addressed the main barriers to the sector's progress.
- Integrated: each strand of the strategy complements the others.
- Participative: the action plan was built through stakeholder consultations and a set of working groups, and much of it is delivered through the sector's own democratic representative body, the Social Enterprise Coalition (Social Enterprise Coalition, 2008);<sup>20</sup>
- Accountable: kept allies on board by publishing a progress report<sup>21</sup> and has commissioned an independent review (Office of the Third Sector, 2007).
- Partner-oriented: used EQUAL funding synergistically along with national and private sector resources.

### ***Strategies and tools for network quality in social co-operative consortia in Italy***

Social co-operative consortia are the most common support structure for social enterprises in Italy. First established in the late 1980s, today they number almost 300 and operate in all Italian regions. One of the main innovations introduced in recent years is that the member organisations use a set of tools to qualify themselves as members of the consortium. Network tools work mainly at two levels: the definition of a common identity, which increases the value of the distinctive social enterprise culture (mission statement, strategic development plans, codes of ethics, and so on) and the quality of the goods produced, not only by the single enterprise, but by the network as a whole (social budget, service charter, quality certification, and so on).

### *Context*

Social enterprises in Italy are a consolidated phenomenon. The most common organisational and legal form is the social co-operative, which has existed for more than 25 years and is active in health, social and educational services and in work integration for the disadvantaged. According to the latest figures from the Italian Institute of Statistics, at the end of 2005 there were 7 363 social co-operatives in Italy, which represents an increase of 33.5% since 2001. These enterprises have roughly 244 000 paid employees. Furthermore 34 000 volunteers work with social co-operatives because they recognise the social purpose of such organisations. All these resources put together generate a turnover which is far from negligible, almost EUR 6.4 billion. Given these dimensions, more than 3.3 million people benefit from the activities of social co-operatives.

Apart from social co-operation, a further evolution of the phenomenon cannot be discounted, thanks to the adoption of a new law (Law no. 118/05 and subsequent decrees including Decree no. 155/2006) which authorises the setting up of social enterprises using other legal forms (not only co-operatives, but also associations, foundations and commercial companies) and in different sectors (culture, education and training, social tourism, environment, and so on).

### *Description of initiative*

One of the factors which supported the establishment and consolidation of social co-operation – therefore the longest lasting form of social enterprise in Italy – is a widespread network of relations among these organisations at both national and local level. Among the numerous types of network, social co-operative consortia have over time gained a prominent position both in terms of quantity and of the role they play in development and innovation. From an organisational perspective, consortia are networks built around a second-level agency which carries out diverse activities in favour of its member enterprises, while from a legal point of view consortia are social co-operatives whose members are not people but organisations. The sector law (no. 381/91) provides that at least 70% of the members are social co-operatives.

Consortia still show significant growth, and at the end of 2005 there were 284 (an increase of 44% since 2001). Created as from the mid-1980s, this particular type of support structure has accompanied the development of social co-operation through all its stages: the pioneer stage (which by convention can be fixed as lasting until the approval of the 1991 law), the

pre-expansion stage (1990s), and the current phase of maturity (from 2000 onwards), marked by a growing level of visibility and institutionalisation.

### *Financing and resources*

Consortia fund themselves through a mix of resources which vary considerably. Financial resources are drawn partly from the yearly membership fees paid by the member organisations, but are derived essentially from the sale of goods and services to member organisations and external clients. Non-financial resources, that is human resources, consist primarily of personnel (managers and other staff members) seconded from the member organisations to the consortia. Member organisations thus take on themselves an important share of the network management costs.

### *Governance*

The main characteristic of a consortium is to be a support structure created and governed by the organisations that directly benefit. The social co-operatives that are members consequently have a direct influence on the strategies and activities carried out by the structure they own.

An analysis of the activities of consortia is an important indicator to verify the real extent of their engagement in supporting the development of social enterprises. The data available show an evolution in which consortia tend to gradually refine their activity, mainly turning to the production of services which more and more affect the inner entrepreneurial dimension and the “nodes” of the network. This is possible thanks to the ability to conceive, promote and manage projects and to the autonomous support and development of businesses, primarily in the public welfare market (for example by acting as general contractor). Internal networking activity is growing and consortia seem to respond by developing knowledge management systems, for instance by supporting exchanges of information and experience on production and management processes among their members. The consequence of these development dynamics is a closer focus on business activities and, subsequently, on “political and ideological” activities. Here, particular importance is given to the promotion of the sector to economic and social actors, by highlighting its peculiarities and by setting up forms of co-operation, for instance in the planning of territorial policies. Professional services on the other hand seem to be much less widespread – consultancy on administrative processes, personnel selection, assistance in the purchase of supplies, and so on. This demonstrates a clear orientation of consortia towards becoming development support organisations rather than simple service agencies.

In the light of this, social co-operative consortia have the following main objectives:

- Redefinition of their mission, trying to show that consortia, as social enterprises, contribute to the general good of specific territorial communities.
- Identification of a core business directly managed by the consortium's structure and of a series of other activities, even major ones that the consortium carries out by means of partnership agreements with other public and private bodies.
- Tendency to formalise and make the network's internal connections more stringent in two ways. First, hierarchical structures need to have a "vertical" approach to the network's connections (e.g. co-operative groups), also outside the local dimension. Second, relations of interdependence between member enterprises and external partners need to increase in order to produce complex goods which require a high level of specialisation and structured co-ordination (e.g. the creation of a work and social inclusion "industry" which involves various social enterprises, public bodies and for-profit companies).
- Opening of the governance system of consortia, not only in numerical terms, but first and foremost through the membership of other public and private partners, not only of social co-operatives. By so doing a multi-stakeholder structure is created which is typical for social enterprises.
- Use of a network perspective in the adoption of policies and quality management systems, through the promotion, in the "nodes" of the network, of important tools for planning (mission and development plans), monitoring (quality certification, credits) and economic and social reporting of the activities (social accounts).

### *Impact*

The main impact indicator refers to the advantages created for the member organisations in terms of economic and social performance. Recent studies<sup>22</sup> have shown that social co-operatives which are members of consortia have a better economic and employment performance than non-members, and also establish connections with other local players (Centro Studi CGM, 2005).



### *Transferability*

Policies to develop consortia have always interested the main representation and co-ordination organisations. As a matter of fact, the consortium phenomenon is not homogeneous. On the contrary, significant differences emerge. Firstly, not all social co-operatives join consortia (around half of the total number). Secondly, consortia tend to concentrate in the centre-north of Italy, where the socio-economic context and the social enterprise sector are more developed, thus widening the gap with the disadvantaged areas (in southern Italy).

Over recent years, several initiatives have been developed, one after the other to set up and consolidate consortia in the less-favoured areas. Twinning has been encouraged between established consortia and new ones, and the exchange of financial resources and of know-how has been supported by way of market transactions and trust-based relationships prompted by the presence of national structures. As a result, the presence of consortia has gradually been balanced in all Italian regions and the number of member co-operatives has grown, even if not substantially.

### *Conclusions & policy recommendations*

For the time being and for the near future, consortia of social co-operatives will have to be supported in their main challenge, which is to marry two diverging tendencies. On the one hand the institutionalisation of social enterprises as a business phenomenon which has passed the pioneer stage. On the other, the confrontation with the growing heterogeneity of the forms that social businesses are and will be able to take (legal form, scope of activity, organisation, governance, and so on), thanks to the recent regulatory changes. In this sense, the following recommendations can be made:

- To recognise that one of the valuable aspects of consortium membership is a specific model of social enterprise, which, precisely because it belongs to networks of this kind, can pursue more effectively its economic and social objectives (To support consortia, not only as representations of their members' interests and as suppliers of development agency services, but also as structures which can integrate member organisations (and external partners) in supply chains of goods of general interest which can provide solutions to complex needs.
- To classify consortia as centres of excellence where innovation is born, distributed and shared.

## Cluster 2: Business support

### *Business and employment co-operatives*

Business and employment co-operatives (BECs) represent a new approach to providing support to the creation of new businesses. The first BEC was started in France in 1996, since then a further 55 such enterprises operating in 100 locations across the country have sprung up. They have so far helped 4 000 entrepreneurs. The idea has also been adopted in Belgium, Sweden, Quebec, Morocco and Madagascar.

#### *Context*

Business and employment co-operatives are a new style of business incubators that take advantage of co-operative principles to foster peer support among new entrepreneurs. They have created interest in various areas of policy-making:

- Economic development in rural areas, as BECs are a good way to support the so-called SOHO-SOLOs (small office/home office workers), professionals who migrate to the countryside to carry on their business at a distance – and in so doing bring valuable skills, economic activity and social life back to depopulated areas.
- The regularisation of informal work.
- Demography and concern about how to raise the activity rate to counter the effect of an ageing population. BECs can help excluded groups such as ex-offenders to restart their working careers, and allow older people to work part-time.

#### *Description of initiative*

Like other business creation support schemes, BECs enable budding entrepreneurs to experiment with their business idea while benefiting from a secure income. The innovation BECs introduce is that once the business is established the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the co-operative. The micro-enterprises thus combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other.

A BEC thus provides budding business people with an easy transition from inactivity to self-employment, but in a collective framework. Intending entrepreneurs pass through three stages (Box 3.1):

1. They remain technically unemployed but develop their business idea under the wing of the BEC.
2. If it looks like being a success, they become a “salaried entrepreneur” with the security of a part-time employment contract.
3. They become a self-sufficient business, sharing in the ownership and management of the co-operative.

BECs allow a small business person to achieve control over their working life, but with the support of a group of people who are facing the same problems and want to pool their enthusiasm and expertise. They help to overcome one of the most discouraging features of becoming self-employed – isolation. They thus lower the bar for becoming an entrepreneur, and open up new horizons for people who have ambition but who lack the skills or confidence needed to set off entirely on their own – or who simply want to carry on an independent economic activity but within a supportive group context.

BEC clients are in all sorts of activities from cookery, industrial cleaning, furniture restoration and organic horticulture to violin making, jewellery, translation and web design.

### **Box 3.1. The three phases of entrepreneurship in a BEC**

- **Stage 1 – Supported entrepreneur**

Initially, the 'candidate business' works up his idea while remaining unemployed in legal terms. He or she continues to receive unemployment benefit while developing a marketable product or service, testing the market and establishing a client base. The BEC handles the business administration and accounting.

- **Stage 2 – Salaried entrepreneur**

The entrepreneur agrees a part-time employment contract with the BEC, and in return pays over 10% of sales. He or she continues to build up the business, as well as receiving training and administrative support. Meanwhile he or she benefits from social insurance cover. The salary grows as the business grows.

- **Stage 3 – Member entrepreneur**

When the business is self-supporting, the entrepreneur can choose to join the BEC as a full voting member, and take part in its management, continuing to pay an administration charge of 10% of sales. Optionally, the business can spin off as a totally independent entity.

### *Financing and resources*

BECs, in general, rely on a combination of earned and grant financing. The earned portion is derived by levying a service charge of 10% of turnover on the member businesses. This is complemented with grant income from local authorities that wish to encourage entrepreneurship. This usually concerned the *Conseils régionaux* as it is at this level that responsibility for business start-up support lies. At national level, the federations receive grant income from various government departments including the *Délégation générale à l'emploi et à la formation professionnelle* (DGEFP)<sup>23</sup> as regards training, the *Délégation interministérielle à l'innovation, à l'expérimentation sociale et à l'économie sociale* (DIIESES)<sup>24</sup> as regards the social economy aspect, the *Délégation interministérielle à la ville* (Div)<sup>25</sup> as regards urban regeneration and *l'Agence nationale pour la cohésion sociale et l'égalité des chances* (ACSé)<sup>26</sup> as regards the inclusion of minorities (*Ministère du Travail, des Relations Sociales, de la famille et de la Solidarité*, 2008; *Ministère du Logement et de la Ville*, 2008). Other financing is provided by the *Caisse des Dépôts et Consignations*,<sup>27</sup> the *Fondation MACIF*<sup>28</sup> and other foundations (*Caisse des Dépôts*, 2008; *Fondation Macif*, 2008).

### *Governance*

BECs are established as independent co-operatives, and in France are legally SCOPs (workers' co-operatives). Membership includes the support staff and those entrepreneurs who have established themselves and taken up the option to become members. The majority of BECs are members of the national network *Coopérer pour Entreprendre*, which has trademarked the name. It is progressively establishing a regional structure (three regions are currently established). A smaller network based in the Rhône-Alpes region, COPEA,<sup>29</sup> has around 20 member 'activity co-operatives' and there are also several unaffiliated co-operatives of this type (*La cooperative d'emploi et d'activité*, 2008).

### *Impact*

The 55 members of the BEC network currently comprise some 2 600 supported entrepreneurs, 1 100 salaried entrepreneurs and just over 100 full co-operative members. Their combined turnover is around EUR 16.5 million. Two-thirds of entrepreneurs start off as unemployed, two-thirds are aged between 30 and 50 and 53% are women.

### *Transferability*

BECs are a very transferable experience. Apart from the 55 BECs in France, there are eight in Belgium (COOPAC, 2008),<sup>30</sup> ten in Sweden, and individual BECs in Morocco, Poland, Madagascar and Quebec.

### *Conclusions & policy recommendations*

It is important to understand that the conditions under which people will start their own business are complex. Motivations are far from being purely or even mainly economic. In the modern world, the decision to start an enterprise is as much concerned with lifestyle, self-realisation and control of working conditions as it is about profitability. In order to spread entrepreneurship to a larger share of the population, and to reach more non-traditional business people – it is notable that over half of BEC beneficiaries are women – it is necessary to offer as wide a range as possible of different and complementary support tools. These should include support for both high-tech and low-tech businesses, and for the collective style that business and employment co-operatives represent as well as more individualistic entrepreneurs.

### *Barka Foundation: from family to community*

Barka, a small family foundation started in 1989 to support the most excluded people, has become a major actor in the Polish social economy. Barka represents a living laboratory of social innovation, which is experimenting with a complex system of social economy initiatives addressing the multiple needs of excluded people (social re-integration, work, housing and so on) and promoting local development.

### *Context*

Since the fall of Communism, Poland has progressed through a profound transformation of its social, economic and political structure. Social economy initiatives have also experienced dynamic growth. Presently, the sector includes a diverse range of institutions, some emerging from the traditional non-governmental sector and others more closely associated with the private sector:

- Over 17% (19 000 organisations out of a total of 60 000) of NGOs take advantage of the possibility of running an income-generating business activity (EESC, 2007).<sup>31</sup>

- An estimated 16 000 co-operatives currently operate in Poland in a variety of domains ranging from housing and medical services to consumers co-operatives.
- Over 140 social co-operatives have been founded since the adoption of the new act on social co-operatives in 2006.
- Over 50 Social Integration Centres (CIS) have been established since 2003 to provide employment to people from marginalised groups.
- 50 Employment Activation Units (ZAZ) offer transitional employment specifically to the physically and mentally disabled with the aim of helping them to re-enter in the open labour market.

All these initiatives have benefited from a steadily improving set of legal frameworks that have been established to regulate various types of value-led activity.

One of the first important acts was that on Activities of Public Benefit and Volunteering,<sup>32</sup> which innovated by clearly stressing the virtues of partnership between the public authorities and non-profit organisations. It also made reference to the as yet unrecognised principle of subsidiaries and gave priority to activities undertaken by citizens' organisations over those of the governmental or local authority.

Then, in 2003-04 the institutional and legal recognition of social entrepreneurship of low-income groups was attained with the enactment of two more acts: the Social Employment Act and the Employment Promotion and Labour Market Institutions Act. These acts are especially important because they permit entrepreneurial activity in the course of the work integration of long-term unemployed people. In order to address the problem of the exclusion of unskilled people, the Social Employment Act creates a new form of social economy organisation, the Social Integration Centre. These centres may be created by both non-governmental organisations and local authorities, and are recognised as such for periods of three years.

A further step forward was taken when the Social Co-operatives Act was approved in April 2006. This law is inspired by the Italian "type B" social co-operative, and provides for non-profit social enterprises, whose objective is the professional and social reintegration of persons with minimal qualifications.

### *Description of the initiative*

Having played a pioneering role in lobbying for this enabling legislation, the Poznań-based Barka Foundation is now one of the leading organisations for the initiative’s implementation.

It started in 1989, providing diverse types of services to excluded people, such as training, housing, work opportunities and social support. In 2004, the Barka-Kofoed School (inspired by the Kofoed School in Copenhagen) obtained the status of “Centre of Social Integration”, where educational, therapeutic and support groups are run, as well as courses for professional requalification in trades such as sewing, building, carpentry, cleaning, and courses in foreign languages, computers, child care and support for elderly and handicapped persons. The workshops fulfil a double function that is both educational and entrepreneurial. At the same time as educating their trainees, the workshops engage them in trade, production and delivery of services for the local community and the school.

Subsequently, diverse forms of entrepreneurship were developed both in rural and urban localities, especially in areas unattractive to the business sector. These forms of small entrepreneurship set off a process of professional reintegration and economic autonomy of previously excluded people. These activities include running second-hand shops, workshops for renovating used furniture, building and transport, rickshaws and converting former state farms into organic farms.

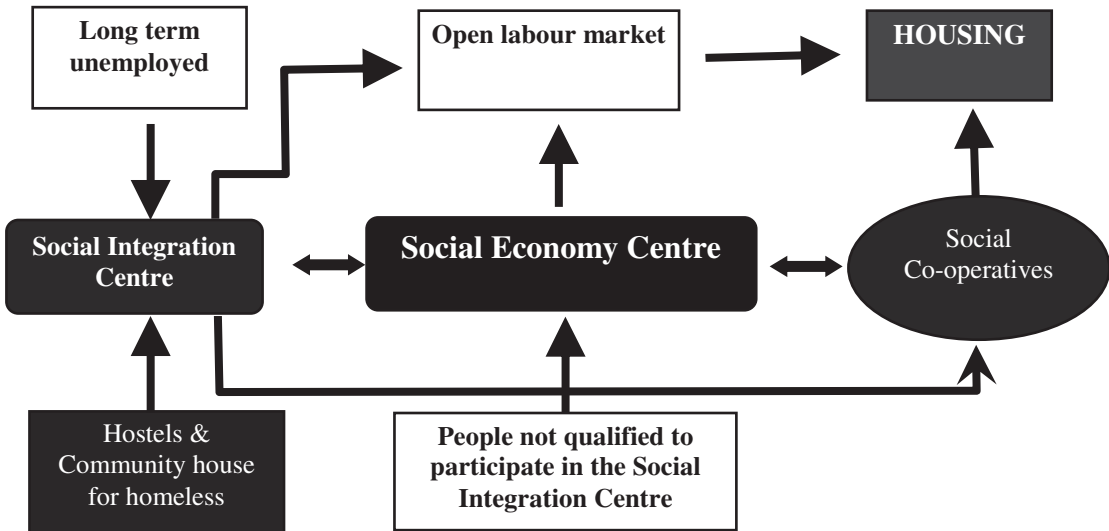
In the mean time, the Barka Foundation evolved from an organisation directly implementing activities to one which animates diverse groups and initiatives for the social and economic integration of the weakest groups. Barka therefore became a network of autonomous organisations ideologically connected to a philosophy and set of values that have crystallised over 18 years of activities. Today, the Barka network is constituted by:

- 20 social integration centres.
- 25 social co-operatives.
- 30 social integration clubs.
- 22 associations.
- Three foundations.
- Three social economy centres.

Thanks to the support of the EQUAL programme,<sup>33</sup> the Barka Foundation has created three model Social Economy Centres (SECs),

located in three contrasting environments: a big city (Poznań), a small town (Drezdenko in Lubuskie region) and a rural district (Kwilcz in Wielkopolska region). SECs are the centre of a complex system aiming at providing different kinds of support to all the categories of excluded people fostering, in the meantime, local development and social entrepreneurship (Figure 3.1).

Figure 3.1. A representation of the social economy



The Social Economy Centres have various tasks:

- **Recruitment and information:** selection of final beneficiaries, information on the project, and the completion of surveys for final beneficiaries.
- **Work agency:** analysis of the local work market, mediation and guidance to promote the employment of final beneficiaries in commercial companies and social enterprises.
- **Vocational counselling and training agency:** planning of training schemes, implementation and supervision of training courses with special attention to vocational training and training in the creation and management of social co-operatives.
- **Development agency:** identifying local markets for social co-operatives, testing various possibilities of co-operation between social co-operatives and other local community actors, co-operation



with partners (mainly with the business sector and financial institutions), support to groups and emerging social co-operatives, evaluation of business plans, advice regarding the creation of social enterprises by non-governmental organisations and assistance in searching for possibilities of financing them, promotion of products and services made by the enterprises, and testing of various possibilities for financing.

- **Aid fund:** local financial scheme to support to social economy.

### *Financing and resources*

Social Economy Centres were created thanks to the contribution of the EQUAL programme. EQUAL funds covered the creation of the centres (premises, equipment, and so on) and training and salaries of staff during the first two years of activities.

In order to keep the centres running, from the beginning, Barka searched for new funding sources. As they were founded so recently, most Polish social co-operatives are unable to pay for the services they receive. Therefore, public money is still a necessity. European (mainly Structural Funds), national, local funds and private donations are constantly raised and matched in order to allow the centres to continue their activity.

### *Governance*

The system of support is implemented on the basis of the idea of solidarity and mutual help and on the participation of socially excluded persons and groups. This system aims to introduce a new model of co-operation between institutions and social groups. In the three experimentation areas of the SECs, local partnerships include associations, foundations, local authorities and employment. To include all relevant stakeholders, educational organisations involved in social and work integration of social excluded people (included housing and sport associations, parishes and NGOs representing local communities). Their interaction and way of working is based on solidarity and aimed at local development and the revitalisation of communities.

### *Impact*

At the more local level, Barka produced solid results in terms of employment, social inclusion and local development. The project “Social Economy in Practice” was particularly successful. Five local partnerships were created and formalised through protocols of agreement in Poznań (three districts), in Drezdenko (small town) and in the rural province of Kwilcz.

After less than two years of activities, the three SECs have promoted the creation of 25 social co-operatives, which provide employment to 150 socially excluded people.

At the national and international level, Barka was widely acknowledged as an outstanding example of social entrepreneurship. It was awarded several international prizes and was visited by many delegations from across the world.

On the national arena, Barka represented and still represents a fascinating source of social innovation and an inspiring experiment for policy-makers.

### *Transferability*

The project's results can be easily replicated in other countries and cultures provided that specific legislation enabling the creation of social economy enterprises (SEE) is already in place. Otherwise, NGOs will have to go through the process of lobbying for new regulations and creating new laws regulations. Without doubt however, the project could be replicated in other Central and Eastern European countries, where the systems of social support and legislation are similar to Poland.

Barka is presently working both in neighbouring countries, such as the Ukraine and Belarus, and in Western European countries such as the United Kingdom and Ireland where it collaborates with local institutions and NGOs to promote the social and employment integration of Polish immigrants.<sup>34</sup>

### *Conclusions & policy recommendations*

Over recent years Barka has represented a test-bed and a learning laboratory for social economy initiatives to grow and operate independently in the mainstream. The following lessons can be drawn:

**Support structures.** Second-level support structures are needed to ensure the development of a viable social economy. These structures may have various different legal forms and compositions but a broad participation of all the stakeholders is essential. Support structures should be embedded in the local context and should invest in local development. They can play a major role in many issues that are crucial to the development of the social economy, such as business development, training, the identification of market niches, finance, social audit and public procurement. It is important that governments provide an appropriate legal form for support structures which meets the needs and suits the characteristics of

social economy organisations. Support structures should attain financial sustainability using mixed sources of funding.

**Partnerships.** Both formal and informal partnerships are essential. Collaboration between the social economy, government, trade unions and local authorities is important to achieve formal recognition and to transform pioneering initiatives (such as Barka) into recognised economic organisations.

**Access to finance.** Social enterprises face major difficulties in accessing finance. Banks are often not willing to lend money to organisations that cannot provide some of the guarantees that are traditionally requested. Public authorities should support investment in commonly-owned equity as well as guarantees, loans and grants. The Structural Funds can be an interesting means of setting up microcredit/venture capital schemes, perhaps in partnership with private/social ethical investors. Private sponsors can also provide useful resources but they often rely upon partners' credibility. Local authorities have a specific role to play here as brokers between local and national actors.

### Cluster 3: Trade sectoral development

#### *Social franchising*

Social enterprises in several countries are achieving success in replicating – essentially copying with due regard for local circumstances – a proven business idea. Some of these have adopted the term “social franchising” but this should not be taken to imply strong centralised and top-down control. On the contrary, the aim is to make unused local resources productive by building a critical mass in the market place and through mutual aid. It is thus a process of local capacity building.

#### *Context*

Mechanisms are needed through which business ideas which have realised social objectives can be replicated (copied) in new places or with different target groups. This will enable learning from experience, reduce the risk of failure and perhaps bring economies of scale into play. The codification of a business model and the licensing of its use subject to certain conditions, is usually known as franchising. A franchise enables the inventor of a model to recoup some of their costs from people who subsequently pick up and benefit from the idea. It is a way of establishing a liquid market for intellectual property. The idea of franchising can be

applied just as well to social enterprise ideas as to conventional business ideas and a number of trials are in progress. Some adopt a “patented” approach, whereby a price is attached to the intellectual property, while others take an “open source” approach and endeavour to spread the practice more quickly by reducing entry costs.

### *Description of initiative*

Social enterprises that have a wide distribution by using social franchising include:

**Sunderland Home Care Associates (SHCA).** Founded in 1994, SHCA is now the biggest home care provider in the city of Sunderland in northeast England. It serves 500 clients and employs over 200 people, who deliver around 3 700 hours of care each week (on average the employees work about 20 hours per week). All but about 20 of the staff are women and this flexibility of working time is an important factor for them, especially those who have familial responsibilities. The company has also diversified from home care. One service it offers is academic support, which is a service paid for by the local education authority, through which students with disabilities receive assistance in attending lectures and completing other study tasks. SHCA also provides short-term cover in residential care homes when they face a staff shortage.

Quality is a key competitive factor, and SHCA’s employee-owned structure enables it to attract a high-quality workforce and to offer them high-quality jobs, with above-average terms and conditions and workforce training. This builds loyalty. The low staff turnover of only 3.5% a year means it can provide a high level of continuity of care.

SHCA has set up Care & Share Associates (CASA)<sup>35</sup> as a vehicle to replicate the same model in other towns such as North Tyneside, Newcastle and Manchester – work which has so far created 130 new jobs (CASA, 2008). This steady process of growth through multiplication will be sustained through a central structure. CASA will keep a 10% shareholding in each new care enterprise it spins off. These will then pay an annual licence fee of around GBP 35 000 (EUR 50 000) plus a small percentage of their turnover (around 0.25%). Each federated company will also hold shares in CASA, thus ensuring an overall coherence to the group.

**The Le Mat Association.**<sup>36</sup> Grown from the example of one hotel founded in 1986 as a social co-operative, the Let Mat Association has grown into a European federation of social hotels, which issues a free handbook in three languages and runs training courses. Access to its expertise means that its members benefit from lower risk, a shorter start-up period, a joint

marketing effort, commercial assistance, benchmarking, quality control, training, cost reduction, increased client loyalty, better year-round utilisation and other synergies. At the same time, members retain their identity as independent enterprises (Le Mat, 2008).

**CAP Markets**<sup>37</sup> (from “handicap”). These are a fast-growing German chain of 60 small neighbourhood supermarkets that have taken over premises made redundant by the growth of hypermarkets. Run by a co-operative of sheltered workshops, the shops typically have a sales area of 500 m<sup>2</sup>, stock 7 000 lines and employ eight to 12 people apiece, two-thirds of whom are handicapped. They deliver a number of benefits. CAP Markets create jobs for handicapped people, aiding their integration through direct contact with customers, bring about local regeneration by providing accessible facilities for people without cars and counter exclusion by offering services such as home delivery of meals or postal services. Their commercial success is based on a close relationship with the retailers’ co-operative that supplies much of their produce. They also have three sources of financial support under the law on the integration of disabled people.<sup>38</sup> This provides for the “Three Cs”: access to capital, specific consultancy expertise and compensation for the lower productivity of their workforce – which are paid for from fines levied on companies that fail to employ their legal quota of handicapped people (Cap Market, 2008)

**Vägen ut!** (Way out!). This Swedish consortium has developed a successful model of halfway houses for recovering drug addicts. The two existing houses in Göteborg, each housing eight people, are acting as models for others shortly to open in Örebro and Sundsvall. Five other houses are in the pipeline and beyond a threshold of 15 houses, the system will be financially self-sufficient. The business model sees all income to the houses originating from the rental of places to the prison and probation office and municipality. These organisations pay a flat monthly fee per bed, plus a EUR 1 000 entrance fee. There is no commercial income. In turn, each house pays a gradually rising fee to the franchisor, starting at EUR 500 per month per house, rising to EUR 1 500 after five years. The start-up phase was supported by EQUAL and the European Social Fund.

### *Financing and resources*

Franchising is a technique applied to scale up businesses which are commercially profitable. To this end franchisees do not require anything other than commercial financing or working capital, which can be borrowed. However, in the case of social franchising, the “productivity gap” that results from the deliberate policy of employing people with a disability or other labour market disadvantages will usually still requires compensation,

through public subsidy. Nevertheless, numerous cost-benefit studies of active labour-market policy have shown that there is a large saving to the public purse if a person is employed under a subsidy scheme compared with being passively supported to remain economically inactive.<sup>39</sup>

Despite this, some social firms succeed in trading profitably without being compensated specifically for this productivity gap by combining a number of revenue streams in the same activity. For instance, revenue streams attached to collecting refuse, reducing landfill, and selling renovated furniture could be amalgamated.

### *Governance*

The individual franchised businesses (franchisees) are normally established as independent enterprises, usually as co-operatives or non-profit companies. Franchisees then sign a contract with the franchisor, which is also a co-operative or non-profit, and pay licence and service fees as agreed, depending on economic performance. It can also be that the franchisees and the franchisor are members (and shareholders where shares are in issue) of one another.

### *Impact*

As a franchise spreads, it can generate a significant number of jobs more quickly than conventional one-off start-ups. For instance, the CAP Markets provide some 500 jobs and the CASA care companies some 400. There are also qualitative impacts. For instance, the CASA achieves a lower staff turnover which leads to a higher continuity and therefore a higher standard of care. The CAP Markets are assets for urban regeneration as they become part of their local neighbourhoods, responding to the needs of local customers and selling a proportion of produce. They also improve the environment by reducing car use.

### *Transferability*

Social franchising has proven to be applicable in a wide range of businesses and across a range of European countries.

### *Conclusions & policy recommendations*

- Cost-benefit studies show that work integration social enterprises (WISEs) produce a generous profit for society as a whole. The savings they generate in reduced benefits claims and other costs

such as health and policing costs far outweigh the grants they receive.

- Taking a trade-sector approach to developing integration, enterprises can spread development costs over a larger number of enterprises and at the same time reduce the risk each new business faces.
- Social franchising has been developed as way of codifying a business idea so that local groups can replicate it, while safeguarding their democratic and empowerment structure. They then contribute to building a critical mass that enables further enterprises to open. In the “open source” model, the know-how is available at no cost, while in the “patented” model the intellectual property is subject to a licence fee.
- Social franchising offers the benefits of reduced risk, common brand, training, mutual learning and many other synergies.

### *Reuse and recycling social enterprises*

The European Union directive on waste electrical and electronic equipment (WEEE)<sup>40</sup> obliges manufacturers to take back their time-expired products (European Union, 2003). A whole new industrial sector has thus been created to reuse or dismantle and sort the resulting scrap. It is work that is well-suited to integration enterprises. The Re-Use and Recycling European Union of Social Enterprises (RREUSE) network links 900 member enterprises which employ 40 000 people across ten European countries. Taking the process a step further, 15 of its members have recently launched a pan-European trading body, SerraNet EEIG.

### *Context*

In the European Union, 31.7 million people, 8.5% of the population between 15 and 64, are excluded from the labour market because they are long-term unemployed, discouraged, disabled, ill or have care responsibilities. There is a paradox in that people lack jobs and poverty is increasing, while the public budget supports their passivity and does not encourage proactivity. This is particularly unbalanced given the number and variety of socially useful tasks that could be undertaken. In particular, the growing cost and environmental impact of waste disposal has led to European legislation obliging the makers of electrical and electronic goods to take back and safely dismantle their used products. Combining these two opportunities has led to a burgeoning sector of social firms.

### *Description of initiative*

In the field of reuse and recycling, social firms have created an international association, RREUSE, and an EEIG (European Economic Interest Group), called SerraNet. In the first stage, 17 member organisations in ten European Union countries, which together represent some 40 000 individuals, joined together to create a European federation called the “Re-Use and Recycling European Union of Social Enterprises” (RREUSE) (RREUSE, 2008).<sup>41</sup> Its member enterprises are involved simultaneously in both recycling electrical and electronic waste (WEEE), and in the integration of disadvantaged people into the labour market. One of its achievements has been to establish a set of standards for the safe dismantling of hazardous electrical and electronic waste. Dismantling by hand is not only labour intensive but is safer than mechanical shredding, which can release hazardous substances.

The member enterprises typically achieve economic viability by combining revenue from various sources to achieve a number of different results. These might include:

- Allowances for training disadvantaged people.
- Grants to defray the administrative costs of running a labour market integration operation.
- Environmental protection income for reducing the use of landfill.
- The sale of renovated goods to the public.
- Voluntary labour, including the services of board members in managing the enterprise.

RREUSE is made up of national federations such as NetSer<sup>42</sup> in Finland. The “Network of Social Economy and Recycling/Reuse” (NetSer) is a co-operative of four member social enterprises, operating in 100 Finnish municipalities (NetSer, 2008). It provides them with information, contracts, joint purchasing and selling, logistical support, a webshop and international business links. Work integration social enterprises in Finland have established themselves as a significant sector through good practices of networking and co-operation among themselves and at European level through RREUSE.

Its counterpart in Austria is Reparaturnetzwerk Österreich (Repa Net)<sup>43</sup> which comprises of five enterprises in different *Länder* of the country which employ 90 people and repair 4 000 items of equipment a year (Repa Net, 2008). These initiatives repair, recondition and sell used electrical equipment, dismantle those items that are beyond reuse and design and



make products such as jewellery from mobile phone keypads and plant pots from washing machine drums. They provide both permanent and temporary employment for long-term unemployed and handicapped people and personal support and career development advice to help them to join the primary labour market. Of the WEEE processed, 10% is reused, either as second-hand equipment or in the form of spare parts, while 90% is broken up, sorted and sold as waste fractions. This reduces the proportion of waste to between 3% and 8%, of which 0.6% is hazardous waste.

RREUSE has been very effective as a vehicle for exchange and representation. However, it is a non-profit association under Belgian law, and not designed to conduct commercial activities. To tap into the potential to sell reused and recycled products across Europe, some RREUSE members decided to establish commercially-oriented structures. One trading activity envisaged is the creation, marketing and sale of a wide range of products from member enterprises across Europe via the web and through catalogues.

In 2006, 14 social firms founded a European Economic Interest Group, Serranet EEIG (Social Enterprises' Reuse and Recycling Activities Network). They are based in ten towns spread across five European Union Member States, from Andalucía to Lapland. Through the adoption of this innovative solution for transnational work, the partners aim to strengthen the social economy by creating an adequate basis for long-term collaboration. The EEIG is seen as an efficient model both for organising the transfer of good practice on a stable basis and for implementing joint business activities in the long term.

### *Financing and resources*

RREUSE is financed by members' subscriptions and has also completed grant-funded projects for the European Commission.

### *Governance*

Membership of RREUSE is voluntary and the individual social firms retain their autonomy. They are constituted in a wide variety of forms depending on national and regional legislation in force. In some cases, legal forms are available that encourage entrepreneurial behaviour, while in others, subsidy regimes are overly rigid.

### *Impact*

RREUSE has enabled work integration social enterprises in the reuse and recycling sector to maximise the effectiveness of lobbying, particularly at European level. This was of particular benefit in ensuring that reuse was made the top priority in the drafting of the European Union's Waste Electrical and Electronic Waste (WEEE) directive. With their double economic and social bottom lines, WISEs were then well-positioned to expand in this sector when the directive was adopted.

### *Transferability*

The principles of sectoral consortia are transferable to all business activities. However RREUSE has been particularly successful given the large impact that European legislation plays in this field.

### *Conclusions & policy recommendations*

A trade-sector approach to developing work integration social enterprises can work.

In the reuse sector, these enterprises provide training in new vocations as well as offering services to public and private customers. They rely on the creation of three-way partnerships: networks with public authorities create growth opportunities, manufacturers sign contracts to recycle their products, while liaising with local chambers of commerce avoids any accusations of unfair competition.

They also rely on tapping multiple sources of finance to support multiple activities.

Underlying this is a strategic approach based on gaining intelligence of impending legislation and acting to safeguard the interests of social enterprises.

## Cluster 4: Local development

### *“Companion” – a new brand for a system of support for co-operatives and social enterprises in Sweden*

#### *Context*

The Swedish CDAs (Co-operative development agencies) are a unique example of an organisation that for three decades has been able to preserve and adapt its structure to changing contexts and to maintain a balance between community and association, centre and periphery, and entrepreneurship and public service.

The first CDAs were inaugurated in the early 1980s as an essentially spontaneous process of local self-organisation within a highly structured institutional environment. The traditional Swedish model assigned a central role to the maintenance of full employment through an active labour market policy. This was governed by social partners and directly managed by public authorities without any outside providers.

In the early 1980s, two phenomena showed the limits of this model. On the one hand, the need to fight depopulation and the migration of unemployed from the countryside to metropolitan areas favoured the development of local initiatives. On the other hand, a surge in youth unemployment pushed the government to adopt a new programme, which, for the first time, involved social economy actors and introduced new models of partnership and matching financing arrangements.

In this context, the first rudimentary CDAs were created and backed by local funding. In 1986, the government launched a national Co-operative Programme to promote and fund the creation of CDAs. By the time the programme became operational, the situation had changed (youth unemployment had decreased and traditional co-operative sectors lost interest), and so newborn CDAs were left without a clear mission and were essentially forced to reinvent themselves, shaping new practices and looking for new tasks, members and sponsors. In doing so, they laid the cornerstone for a new model. At the local level, a reorientation towards new fields of operation was facilitated by the realignment of the health and welfare system in the late 1980s (through the introduction of co-operative forms of service provision) and closer co-operation with municipal authorities, which became increasingly involved in the care, welfare and labour market fields. At the national level, informal modes of co-operation were established, primarily through the government consultative body, the Co-operative

Council. Exchange of experiences and tools also took place informally. This process was supported both by a national organisation founded by the CDA workers, the FKU, and Koopi, the Co-operative Institute.

### *Description of initiative*

Presently, there are 25 local branches of *Coompanion* (the new brand name of the CDA system) which are federated at the national level. The local agencies are fully independent and are generally constituted as co-operatives, whose members are co-operative enterprises, voluntary associations, local authorities, non-formal educational organisations and trade unions. At the national level, *Coompanion Sweden* is a federation of the regional CDAs with a limited mandate. The national body is financed by a member/service fee paid by the members.

Coompanion's mandatory activities include the dissemination of information to the public and the provision of initial counselling services free of charge to the general public and would-be co-operative entrepreneurs. Beyond this, the goals and activities of the CDAs are not regulated, and they are fully independent and free to launch additional projects or to undertake paid-for consultancy.

Recently, many of them have actively participated in the EQUAL programme, which fosters the creation of social enterprises and their support structures. CDAs work mainly at the local level in collaboration with local authorities and all the other actors concerned, but they are also involved in national and international projects. An important working tool is the web-based course and discussion forum *Lärka*<sup>44</sup> that links the CDAs and is open to their consultants and board members (Larka Portal, 2008). The forum facilitates learning and methodological development as the organisations explore new fields of activity.

At the national level, the role of *Coompanion Sweden* is to lobby national government and to co-ordinate priority actions decided by the General Assembly.

Informed by the experiences learned from EQUAL, the national federation recently put social enterprise at the top of its priority lists. From an operational point of view this means:

- The implementation of a few big projects funded by the national government to promote the creation of social co-operatives.
- Participation in policies to promote social co-operatives as a tool to integrate disadvantaged people into work.

- The creation of a working group to train local consultants.
- The creation of a national platform to promote social enterprises in collaboration with other concerned actors.

CDA's and their consultants act primarily as social entrepreneurs and knowledge brokers, that:

- Design and/or diffuse new organisational models.
- Mobilise potential financing bodies.
- Facilitate the formation of supporting coalitions and partnerships between them.

The CDA's will be active in promoting social enterprise by using the European Social Fund 2007-13 in particular.

### *Financing and resources*

One important element of the success and impressive performance of the system can be identified in its financing mechanism, which provides local organisations with a robust institutional base.

The procedural framework for the creation of a new CDA and the rules for defining eligibility for public support anticipated the European Union's matching financing mechanisms. To establish a CDA, a local founder association has to collect matching financing from its members or other local organisations. Once financing is secured by the founders, the CDA is entitled to receive state co-financing. Central financing sets a general budgetary framework, and defines Coompanion's mandatory tasks. Together, local and central funding form the CDA's baseline operating budget, which provides for the employment of a skeleton staff, and finances the mandatory activities.

The principles that apply to the inauguration of a CDA also apply (with some minor modifications) in the allocation of public support in the years that follow. In other words, a CDA is expected to mobilise matching financing each year to qualify for a budgetary allocation - an arrangement that creates an institutional safeguard for the CDA's local embeddedness. However, this situation makes CDA's a permanent hybrid between a project and a permanent institution (Stryan, 2004).<sup>45</sup>

### *Governance*

The governance of the system is another reason behind its success.

Since its beginnings, the system has functioned as a community of practice. Beyond associating organisations and public bodies, *Coompanion* is first and foremost (both historically and demographically) an organisation that associates its co-operative consultants, producing and spreading knowledge and competence across the entire group. The strong bonds, friendships and shared identity that link the group of consultants (and large sections of the CDAs' Boards) form the organisation's initial human and social capital. Thanks to frequent informal meetings and common projects, the system has succeeded in preserving this important feature, even as the group grew and the membership changed.

### *Impact*

Over the last 20 years, *Coompanion* has become a major player in local development and the creation of social enterprises and co-operatives. CDAs are an effective form of providing both services and tools to the social economy and have developed broad and sustainable regional partnerships. CDAs can also be used to develop additional support structures such as new networks, associations and institutions. The model is successful in both urban and rural areas, even if the priorities are often different. Social enterprises were from the beginning more popular among urban CDAs, while in the countryside the focus was on traditional co-operatives. However, in rural areas, the need to establish social enterprises has also been acknowledged as an important factor for labour market integration.

From a political perspective, *Coompanion* has been supported by both left and right wing governments and also by economic actors. In 2006, the government introduced work integration as a major priority of its programme. Thanks also to the good results of the EQUAL programme, NUTEK (the national agency for business development) in collaboration with *Coompanion* submitted a programme to recognise and support social enterprises as a work integration tool, thus creating substantial opportunities to develop the sector.

### *Transferability*

The CDA model could be used in other countries. It was created and still exists (although in an attenuated form) in the United Kingdom, is developed as a national system in Sweden and has spread to the Baltic countries, Poland and Slovakia. At the international level, contacts are in place with Vietnam and with Latin American countries where the co-operative movement is already well established.

### *Conclusions & policy recommendations*

Several of the elements that characterise the *Coompanion* system could constitute important lessons for policy makers. The interest and willingness of the traditional co-operative movement (which is very strong and spread across Sweden) and the support and funding provided by the public sector are both preconditions for the success of the system.<sup>46</sup>

The funding mechanism is a very peculiar feature of the system, but it is strongly linked to the Swedish context.

The partnership model can be easily transferred to different contexts. Two levels of partnership characterise the CDAs' action. The "internal" partnership is constituted by *Coompanion* members, who represent the various actors in the sphere of local development. Recently, local *Coompanion* branches have also developed broader partnerships encompassing all the economic and social actors in the area they cover. The first example of this type of platform, now replicated by various CDAs, was promoted by Stockholm CDA in the framework of the EQUAL project SLUP (SLUP, 2008).<sup>47</sup> The "Platform for local development with social economy" was created in 2000 and is now linked to the public sector and the government's mainstream development planning process. It involves more than 40 organisations, including two banks, and operates through six working groups. These regional platforms seem to get a boost from funding from the European Union Structural Funds.

It is also worth noting the loose structure of the organisation and the strong personal links that identify the system as a community of practice. According to Yohanan Stryan, Professor at the Södertörns Högskola, *Coompanion* can be defined as a nascent community of practice that has shaped to accommodate itself. This community is perpetuated by way of cultivating trust, reciprocity, channels of communication and venues for interaction on one hand, and the joint pursuit of new initiatives and recruitment potential they create, on the other.

### ***Regional development co-operatives support co-operative development and employment in Quebec***

#### *Context*

Over the past 12 years, Quebec has witnessed a remarkable expansion of collective entrepreneurship, through the creation and expansion of co-operative and non-profit social enterprises, widely known as SEEs. Several thousand new businesses and tens of thousands of new jobs have been

created in a wide range of economic sectors. Support for collective enterprise is integrated into local and regional development policy and has resulted in a wide range of initiatives responding to community needs, such as tourism, culture, new forms of agriculture and new technologies. Several sectoral policies have created opportunities for the creation and expansion of SEEs in areas such as recycling, homecare, day-care, housing and the workplace integration of marginalised populations. New financial instruments designed specifically for SEEs have helped support this important development.

Collective entrepreneurship has historical roots in Quebec. For example, the largest financial institution is the *Mouvement Desjardins*, a financial co-operative. Several initiatives to support co-operative development anticipate the “rediscovery” of the social economy in 1996. The most important initiative is the creation of a network of regional development co-operatives (CDRs).

The first regional development co-operative was created in 1974 in the Outaouais region. After having convened a Co-operative Summit in 1980, the Quebec government supported the creation of a network of regional development co-operatives to facilitate the creation and the capitalisation of co-operatives, particularly worker co-operatives.

### *Description of initiative*

There are presently 11 regional development co-operatives in Quebec. Their role is to support the creation of new co-operatives, to support the consolidation and expansion of existing co-operatives and to promote the co-operative formula as a tool for regional and local development. Since 1998, regional development co-operatives have been part of the Federation of Regional Development Co-operatives.

Regional development co-operatives (CDRs) offer support, guidance and expertise to groups who wish to create a new co-operative, to consolidate an existing co-operative or to redress a co-operative facing difficulty. They also support workers who are interested in taking over a traditional enterprise. Their mission is to assure the creation of new co-operatives and the protection and creation of sustainable jobs in their respective regions.

The CDR network brings together over 1 080 co-operatives members and has contributed to the maintenance and creation of 11 000 jobs over the past ten years.



### *Financing and resources*

Regional development co-operatives are financed by the government of Quebec, through the Ministry of Economic Development, Innovation and Export Trade. Since 1991, the level of funding has been based on the number of jobs created or maintained and the participation of other regional partners. The funding programme is managed by the *Conseil québécois de la coopération et de la mutualité* (Quebec Council of Co-operatives and Mutual Societies).

### *Governance*

The Boards of Directors of regional development co-operatives are comprised of a majority of representatives of co-operative networks, including large financial and agricultural co-operatives. Several regional development co-operatives have integrated local and regional economic development agencies into their governance structure. Ten of the 11 existing regional development co-operatives are members of the Federation of Regional Development Co-operatives, which is in turn a member of the CQCM (Quebec Council of Co-operatives and Mutuals). All regional development co-operatives are also members of social economy regional poles, that work in partnership with the *Chantier de l'économie sociale*, a national organisation devoted to the promotion and development of the social economy.

### *Impact*

Regional development co-operatives are credited with having created or maintained over 11 000 jobs over the past ten years. However, it is difficult to measure the impact using this criterion alone, as they have also been involved in other activities at a regional level. They have for example been active in promoting an entrepreneurial culture among young people, through a broad initiative called “Youth Services Co-operatives” and through the management of a small network of agents devoted to the promotion of co-operatives directed at young people. Some CDRs are also involved in supporting economic initiatives that have taken on hybrid forms of ownership. They also have the mandate to facilitate co-operation between co-operatives in different sectors and to promote the co-operative model to the wider population.

Another measure of impact is the survival rate of new co-operatives, which has been shown through repeated studies to be twice the rate of traditional private SMEs.

### *Transferability*

This model cannot be directly transferred without certain favourable external factors. The most important is the existence of a network of co-operatives present across a national territory. The second condition is the desire by co-operatives from different economic sectors and at different stages of their development to work together to create new and to consolidate existing co-operatives.

However, certain aspects of this model are transferable. The need for government financing to support and accompany SME development is widely recognised, though the types of structures vary from one country to another. This is equally true in the area of support for the development of SEEs, be they co-operatives or non-profits.

The major transferrable elements are: the decentralisation of support for collective enterprises to regional and local levels, the reliance on non-governmental partners and existing networks to create and manage these instruments, the reliance on local and regional networks to promote the co-operative model and the development of an entrepreneurial culture amongst young people.

### *Conclusions & policy recommendations*

The regional development co-operative model represents an interesting response to the regionalisation of economic development tools over the past few decades. It has allowed the co-operative movement to adapt its development strategies to regional realities and to open up to new sectors. However, the success of this Quebec experience has been conditioned by a broader emphasis on the social economy, which was recognised as an integral part of the socio-economic infrastructure of Quebec in 1996 in the context of a government-led Summit on the Economy and Employment. This recognition opened up new opportunities for co-operative development through its inclusion in a new local development policy, which was adopted in 1997. As a result, local development centres have become important actors in supporting the creation of new co-operatives in collaboration with CDRs. New financial and sectoral instruments have also contributed to the success of regional development co-operatives. On the other hand, the Quebec government's funding strategy, based on the number of jobs created or consolidated, has had some detrimental effects. Particular difficulty should be noted in relation to the mobilisation of resources to support co-operatives through the first few years of existence, when they are particularly fragile.

## Conclusions: guidelines to assist social enterprise support structures

The foregoing analysis allows some final conclusions to be drawn on the role of support structures for social enterprises and in particular on the possibility they, in turn, require support with targeted policies.

Initially, when considering how business support for social enterprises should be organised and delivered, it is important to bear in mind that it is not sufficient just to give sound advice on how to develop a business. One of the principal virtues of social enterprises is that they can contribute to the policy objectives of a higher labour market participation rate and a more inclusive labour market. If they are to do this, it is not only the technical quality of support offered to businesses that is important, but the context in which it is delivered. The issues of at whom such advice and support are targeted, where they are delivered, and how and by whom, are critical. The job of opening up the path to social entrepreneurship starts long before the business idea is discussed. It is necessary to nurture a culture of inclusive entrepreneurship, by, for instance, encouraging diverse role models of what constitutes a successful business, and by including social entrepreneurship in school and university curricula. Secondly, it is necessary to ensure that appropriate sources of finance are available that meet the needs of enterprises which aim to solve social problems rather than strictly to maximise financial return.

Why then should support structures be supported themselves? The answers to this question can be found here in the form of recommendations addressed to those who, directly or indirectly, are involved with such organisations.

### *A bottom-up approach and a strategic vision*

Social enterprises are often supported by bottom-up structures which result from a wide network of relations between organisations and individuals and which can be activated rather effectively around specific activities and initiatives. Through such structures it is possible to engage in innovative thinking and discussions around the social economy, and more generally with a new way of doing business.

These organisations usually come into being around a development project which focuses on a specific area, community or social group. The vision behind the actions of support structures includes not only the specific interests of the social enterprises which promoted them, but also more general interests which go beyond the individual network. They are

therefore an ideal partner of public administrations in policy-making activities.

### ***A braided support system***

This essentially means taking a simultaneous horizontal and a vertical approach. Firstly, to ensure that as wide possible range of potential social entrepreneurs can take the first risky steps towards setting up a business, and that all business advice agencies, chambers of commerce, local authority business advisers, and so on possess a basic level of awareness and competence in social enterprise issues. All front-line business advisers should also know not only about sole proprietorships, partnerships and share companies but also about co-operatives and the various other types of social enterprise that exist. They should know when it might be appropriate to recommend them and be able to recognise when their knowledge is exhausted and they should refer to a specialist adviser.

This specialist support is required to back up generic business advisers. It will often tend to have slightly different cultural assumptions from conventional business advice. For instance, the service will typically be more sensitive to issues of diversity and equal opportunities, and give more weight to the social and environmental dimensions of business performance. In practice, it will often be offered by federal bodies within the social economy which allows an effective quality feedback mechanism from the client base as well as by specialist professionals such as lawyers and accountants.

### ***Make use of peer support among businesses***

Solidarity, which is a value of the social economy, implies that social enterprises will often be happy to share their skills and knowledge, to help others to follow in their wake. This principle is demonstrated by the support that start-up businesses in a business and employment co-operative give to one another, as well as by the principle of social franchising. In both cases, co-operation among businesses yields synergetic gains, where the whole is greater than the sum of the parts.

### ***Support access to larger markets***

Many social enterprises trade wholly or predominantly with the public sector – something which is to be expected of enterprises that are active in resolving social problems. Because of the way they can combine different types of resources by, for instance, trading income, contract income, grant

income, donations and volunteer time, and can produce added value in different ways by, for instance, creating social capital or by generating savings in public spending, they can be highly effective and efficient partners in the delivery of public services. Yet the practice of working in partnership with social enterprises to improve the quality of services to the public, and to gain better value for money from public spending, is insufficiently widespread among public sector commissioning and procurement officers. The relevant knowledge and skills in the public sector, as well as the capacity of social enterprises to bid for contracts, need to be improved.

### ***Support structures as motors of social enterprise development***

Support structures play an important promotional role for social enterprises, a new business player which is gaining ground all over Europe, but which is confronted by substantial regional differences – economic, social, legal or otherwise. Without the intervention of such structures there is a risk that social enterprises will only thrive in given territorial niches or sectors of activity, which will only partially legitimise this innovative business form.

This can clearly be seen at the European level, where social enterprises are developing almost exclusively in given countries, while in others they seem to be ignored. Support structures could contribute to overcoming this strong internal differentiation, for example by disseminating the scientific definitions of social enterprise, so building a common understanding. However, support structures are not evenly distributed, but tend to be concentrated in the areas where social enterprises have already established their presence and have a strong integration capacity. Therefore, to avoid the perverse effect that support structures actually aggravate, the uneven development of social enterprises, it is necessary to plan suitable measures to transfer and disseminate examples of best practice. In this way, the traditional bottom-up projects (usually implemented in the medium and long term) can also be supplemented with top-down initiatives by the public administration, and also by the most important networks of support structures at national and European level. A few examples are pathway models, exchange laboratories, stand-in management and twinning among structures with different backgrounds.

### ***Light and flexible structures***

All the structures examined usually have a “light” organisation and for the time being they do not run the risk of bureaucratisation and self-

referencing which results from the need to focus primarily on survival and not on development possibilities for social enterprises. Furthermore, they are multi-functional structures which can carry out different activities in a flexible way, as the priorities of the case dictate.

These same features can also represent a weakness, especially when support structures face critical points in their life cycle, such as expanding their geographical scope, increasing the number of social enterprises benefiting from their service, facing limitations in funding for innovation or technical skills training, and so on.

### *Specialised structures within an integrated strategy*

The support structures examined thus far show a high level of functional specialisation in comparison to social enterprises because of the overall predominance of a promotional model which safeguards the structure's specific characteristics. Social enterprises are emerging players and therefore not well known or established. Furthermore, they risk being colonised by organisational models and management tools drawn from other realities.

None the less, support structures will be able to relate to similar organisations which do not specialise in working with social enterprises. An exchange between specialist and non-specialist support structures might take place in the business services sector (consultancy, training, planning, quality certification, and so on) and in the completion of local development plans, where participation in the definition and implementation of policy is also required, together with the establishment of a hybrid form of territorial governance (Enjolras, 2005).<sup>48</sup>

The outcome is not fully predictable at this stage, even if the analysis suggests that specialist structures will become gateways to their respective business networks, by means of, in effect, selecting and accrediting external suppliers prior to the signing of a contract, or the creation of a partnership or strategic alliance.

To sum up the various recommendations, there is a continued need to strengthen the support structures because it is through their action that it is possible to intervene in the fundamental development factors for the success of social enterprises. It is about visibility and reputation, about interconnection with other public and private institutional players, the consolidation of the entrepreneurial component and the ability to define and report on the social mission.

Finally, the whole is perhaps best implemented as part of a comprehensive strategy for the promotion of social enterprise. This is the

most sure-fire way to ensure that the different government ministries and departments, and the various tiers of government from national to local, work together coherently to address issues that inevitably cross the boundaries between traditional policy domains.

## Notes

1. Defourny J., Nyssens M. (eds.) (2008), *Social Enterprise in Europe: Recent Trends and Developments*, EMES Working Paper 08/01 (downloadable from [www.emes.net](http://www.emes.net)).
2. Funded by the European Social Fund, EQUAL is a community initiative testing new ways of tackling discrimination and inequality experienced by those in work and those looking for a job. It ran from 2001 to 2008.
3. QUASAR partnership, see [http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc-quasar.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc-quasar.pdf)
4. Social enterprises typically generate ‘positive externalities’ – that is benefits for the community which are not accounted for in the price of the service delivered. For instance in the care sector, their participative nature, the way workers and users are intimately involved in defining the way the service is delivered, means that both users and workers are more satisfied. This results in greater loyalty and lower staff turnover, creating a virtuous circle of improving quality. Similarly, social co-operatives that succeed in creating meaningful work for drug addicts, and thus keeping them ‘clean’ and out of trouble, can generate saving to the public purse that are many times in excess of their financial cost. See Borzaga C., Defourny J. (eds.) (2001), *The Emergence of Social Enterprise*, Routledge, London.
- 5 Evers A., Laville J.L. (eds.) (2004), *The Third Sector in Europe*, Edward Elgar, Cheltenham.
6. In this case they differ significantly from the most traditional social economy entities, in which relatively homogenous governance systems prevail. They are built around a well defined stakeholder having a dominant position in deciding the strategies and the management approaches.
7. The report *The Social Economy in the European Union*, prepared by CIRIEC for the European Economic and Social Committee in 2007, states that paid employment in co-operatives, mutuals and associations in the United Kingdom in 2002-3 totalled 1.7 million, or 6.1% of the workforce. This share ranks it 8th among European Union member states. Of these 1.7m jobs, 1.47m are in associations, 190 000 in co-operatives and 48 000 in mutuals.



See [www.eesc.europa.eu/groups/3/index\\_en.asp?id=1405GR03EN](http://www.eesc.europa.eu/groups/3/index_en.asp?id=1405GR03EN)

8. [www.cabinetoffice.gov.uk/third\\_sector/social\\_enterprise/action\\_plan.aspx](http://www.cabinetoffice.gov.uk/third_sector/social_enterprise/action_plan.aspx)
9. [www.cabinetoffice.gov.uk/third\\_sector.aspx](http://www.cabinetoffice.gov.uk/third_sector.aspx)
10. The Phoenix Fund encouraged enterprise in disadvantaged communities and in groups under-represented in terms of business ownership. It had a budget of EUR 153 million from November 1999 to March 2008. It contained a number of elements including the Phoenix Development Fund, which funded numerous projects to improve access to business support. Sixteen of these focus specifically on social enterprise (and none exclude it). Other initiatives include the Social Enterprise Visit Programme (SEVP), a pilot social enterprise group in the Academy of Chief Executives' 'Leaders Learning from Leaders' programme and the piloting of 'BRIAN' (Business Research Information Analysis Navigator) to measure a social enterprise's business and social capital. The CDFI Challenge Fund is also funded through the Phoenix Fund. See [www.berr.gov.uk/bbf/enterprise-smes/building-enterprise/enterprising-people/Phoenix%20Fund/page37783.html](http://www.berr.gov.uk/bbf/enterprise-smes/building-enterprise/enterprising-people/Phoenix%20Fund/page37783.html)
11. An initiative of the Department for Education and Science (DfES), the Home Office, the Office of the Deputy Prime Minister (ODPM) and the Small Business Service (SBS) which supported research on topics including social enterprises in rural areas, larger social enterprises and enterprise among black and ethnic minority women
12. [www.bankofengland.co.uk/financing\\_social\\_enterprise\\_report.pdf](http://www.bankofengland.co.uk/financing_social_enterprise_report.pdf)
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16. [www.cabinetoffice.gov.uk/third\\_sector/third\\_sector\\_review/Third\\_sector\\_review\\_final\\_report.aspx](http://www.cabinetoffice.gov.uk/third_sector/third_sector_review/Third_sector_review_final_report.aspx)
17. [www.communitiesscotland.gov.uk/stellent/groups/public/documents/web\\_pages/otcs\\_018661.pdf](http://www.communitiesscotland.gov.uk/stellent/groups/public/documents/web_pages/otcs_018661.pdf)
18. Social Enterprise: Scaling New Heights. National Social Enterprise Action Plan. One Year On: Progress Report for the English Regional Development Agencies, see [www.seeda.co.uk/publications/social\\_inclusion/docs/seeda-rda.pdf](http://www.seeda.co.uk/publications/social_inclusion/docs/seeda-rda.pdf)

19. [www.parliament.the-stationery-office.co.uk/pa/cm200708/cmhansrd/cm080430/text/80430w0032.htm#column\\_557W](http://www.parliament.the-stationery-office.co.uk/pa/cm200708/cmhansrd/cm080430/text/80430w0032.htm#column_557W)
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22. Centro studi Cgm (a cura di) (2005), Beni comuni. Quarto rapporto sulla cooperazione sociale in Italia, Edizioni della Fondazione Giovanni Agnelli, Torino.
23. [www.travail.gouv.fr/ministere/presentation-organigramme/ministre-du-travail-relations-sociales-solidarite-dispose-tant-besoin/delegation-generale-emploi-formation-professionnelle-dgefp-5619.html](http://www.travail.gouv.fr/ministere/presentation-organigramme/ministre-du-travail-relations-sociales-solidarite-dispose-tant-besoin/delegation-generale-emploi-formation-professionnelle-dgefp-5619.html)
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33. EQUAL project: *Economia Społeczna w Praktyce (Social Economy in Practice) 2005-2007* [www.ces.net.pl](http://www.ces.net.pl)
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35. [www.casaltd.com](http://www.casaltd.com)
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37. [www.cap-markt.de](http://www.cap-markt.de)
38. Sozialgesetzbuch IX §132

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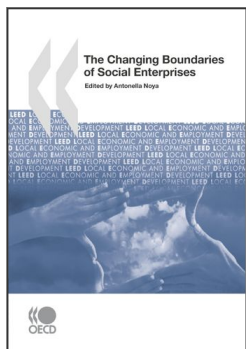
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